



September 1, 2011

Technical Director  
International Auditing and Assurance Standards Board  
International Federation of Accountants  
545 Fifth Avenue – 14<sup>th</sup> Floor  
New York, NY 10017 USA

Dear Sir,

**Re: Proposed ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information**

As a member of the Canadian Auditing and Assurance Standards Board, I have had the opportunity to carefully review the proposed ISAE. In the 1990's, I had the opportunity to participate on the task force in Canada which developed assurance standards (Canadian Handbook Section 5025). And so, this is a subject which is near and dear to me.

I am writing to you, however, on behalf of the Office of the Auditor General of Manitoba to provide you with our comments as they relate to the public sector in Canada. The proposed ISAE provides useful guidance and would address our needs for attestation engagements not otherwise covered in the existing standards. However, much of our work takes place outside of the attestation world and in that regard, proposed ISAE as currently written would not meet our needs.

While I appreciate that general comments are difficult for your Board to address, I have to say that the greatest difficulty with the ISAE is that it just doesn't read right. That is, it sounds like direct engagements have been forced into a financial statement/attestation model. However, we have tried to pinpoint a few specific areas which could be amended to allow us to work within the standard.

**1. The terminology used for “subject matter”, “subject matter information” and “underlying subject matter” is confusing**

The use of the same words within different contexts is very confusing. A different phrase for “subject matter information” might help with clarity.

In Paragraph 6, for example, the objectives include the following in 6 (a) ... “about whether the subject matter information (that is, the reported outcome of the measurement or evaluation of the underlying subject matter) ...” could the phrase subject matter information be dropped entirely, and remove the brackets to say “...about whether the reported outcome of the measurement or evaluation of the underlying subject matter...”.

Because the terminology is used throughout the proposed standard, it would be a significant matter to address this concern, but would result in greater clarity.

**2. The definition of “misstatement” in the context of a direct engagement**

Most direct engagements in Canada are long form reports which will tell you whether or not the underlying subject matter conforms in all material respects with the applicable criteria. If the underlying subject matter does not conform, then the non-conformity is described in the report and the conclusion may be that the criteria was not met.

By using the word “misstatement” when talking about a direct engagement, it uses a phrase which is illogical when compared to the definition. The underlying subject matter is not misstated, in fact it is quite accurately described by the practitioner. But, the underlying subject matter does not conform with the criteria – it “deviates” from the criteria.

**3. Preconditions in the public sector**

In our view, the preconditions in paragraph 21 should make reference to the public sector in the standard and not just in the application and other explanatory material. The application material indicates that the preconditions may be “assumed to be present” – in fact, it may be that they clearly don’t exist – but that does not preclude the practitioner from proceeding and in proceeding, from following the standards. For example, a legislative auditor may be denied access to evidence needed to support the conclusion for one of several objectives – in that case, the audit would continue using the standards and the report would indicate that for the area in question, the auditor was denied access.

**Responses to Questions Requested by IAASB**

We have included responses to questions which cause us concern as practitioners in the public sector ONLY.

**Question 1: Do respondents believe that the nature and extent of requirements in proposed ISAE 3000 would enable consistent high quality assurance engagements while being sufficiently flexible given the broad range of engagements to which proposed ISAE 3000 will apply?**

With modifications to address the above mentioned concerns (subject matter, misstatement and preconditions), the proposed ISAE 3000 would enable consistent high quality assurance engagements. Without modification, the proposed ISAE 300 will not, in our view, result in consistency in the area of direct reports.

**Question 3: With respect to attestation and direct engagements:**

c - i) In a direct engagement, we do not agree with the use of the term “subject matter information” to reflect the practitioner’s conclusion. It would be easier to call the practitioner’s conclusion “the practitioner’s conclusion”. And we believe that the practitioner’s objective should be described “to obtain either reasonable assurance or limited assurance about whether the underlying subject matter conforms in all material respects with the underlying criteria” – and that the term “misstatement” should not be used.

Yours sincerely,



Carol Bellringer, FCA, MBA  
Auditor General

CB/dsc