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SASKATCHEWAN

April 9, 2008

Mr. Greg Shields, CA
Director, Auditing and Assurance Standards
Auditing and Assurance Standards Board
The Canadian Institute of Chartered Accountants
277 Wellington Street West
Toronto, Ontario M5V 3H2

Dear Mr. Shields:

**Re: Invitation to Comment - International Auditing and Assurance Standards Board
Exposure Draft - Assurance Reports on Controls at a Third Party Service
Organization (ISAE 3402)**

We had no significant concerns with the International Auditing and Assurance Standards Board (IAASB) exposure draft on Assurance Reports on Controls at a Third Party Service Organization (ISAE 3402). ISAE 3402 could replace current CICA Handbook Section 5970 and AuG-42.

We have copied you on our comments to the IAASB.

Specific comments related to Canada:

We have noticed a recent trend where information technology service organizations are engaging a public accountant to prepare a report based on CICA Handbook Section 9100 instead of CICA Handbook Section 5970. Section 9100 does not provide audit assurance on the adequacy of controls at the service provider. We are concerned that the usage of section 9100 could increase with the adoption of ISAE 3402 due to increased requirements.

Yours truly,

Fred Wendel, CMA, CA
Provincial Auditor

JK/gb



May 5, 2008

via email: ed.assurancestds@cica.ca

Mr. Greg Shields, CA
Director, Auditing and Assurance Standards
The Canadian Institute of Chartered Accountants
277 Wellington Street West
Toronto, ON M5V 3H2

Dear Mr. Shields:

ISAE 3402 Assurance Reports on Controls at a Third Party Service Organization

We have reviewed this exposure draft and have concluded that the AASB should replace Section 5970 and AUG-42 with this ISAE. We agree with all of material presented in the exposure draft except that we prefer the following wording for paragraph 15(a):

“Presents how the service organization’s system made available to user entities has been designed and implemented to *support the processing* of relevant transactions, including, as appropriate.” We prefer this wording as third party service organizations may also provide other services besides those used to process transactions. For example a service organization may provide physical security services or back-up facilities.

Thank you for the opportunity to provide our comments on this important initiative.

Yours truly,

M.J. Dawson

Mary-Jane Dawson, CA
Principal

/ka

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May 5, 2008

Greg Shields, CA
Director, Auditing and Assurance Standards
The Canadian Institute of Chartered Accountants
277 Wellington Street West
Toronto, Ontario
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Email: ed.assurancestds@cica.ca

Re: Exposure Draft – CAES 3402, Assurance Reports on Controls at a Third Party Service Organization

Dear Greg:

We are pleased to have the opportunity to comment on the above Exposure Draft issued by the Canadian Institute of Chartered Accountants (CICA).

Request for Specific Comments

- 1. The proposal that the ISAE be written for application to assertion-based engagements. In particular, the IAASB would welcome any views on whether there are situations in which it would not be possible or practicable for management of the service organization to provide an assertion.*

We are not aware of any situations where it would not be possible or practicable for management of the service organization to provide an assertion.

- 2. The inclusion in the proposed ISAE of a number of requirements based on ISAs dealing with matters such as using the work of the internal audit function, sampling, documentation, and using the work of a service auditor's expert. In particular, has the IAASB identified all such matters as are relevant? And should these matters be dealt with in proposed ISAE 3402 or in ISAE 3000?*

These matters are relevant, we are not aware of other matters that should be included. Matters such as using the work of the internal audit function, using the work of experts, sampling, and documentation should be dealt with in ISAE 3402 as it is desirable for ISAE to be "self standing".

- 3. Whether ISAE 3000 should be amended with respect to auditor's external experts as outlined in the explanatory memorandum.*

We believe ISAE 3000 should be amended to specifically exclude an auditor's external expert from the engagement team so that the framework for assurance engagements is consistent with this standard.

4. *The proposed requirements regarding the minimum elements of suitable criteria.*

We believe the proposed requirements regarding the minimum elements of suitable criteria are incomplete as they do not adequately address the “completeness” characteristic as defined in the framework for assurance engagements.

The user auditor is anticipating that the scope of the service auditor’s report will address all the areas pertinent for the auditors to plan a financial statement audit. Thus the service auditor should consider how the report will most likely be used by user auditors and should also consider if the scope of the report is consistent with contractual obligations when evaluating if the criteria are suitable or not.

Should the scope of the report, in the service auditor’s judgment, not include all the aspects of the service organization’s controls that may be relevant to a user organization’s internal control, and should management’s description not appropriately disclose this fact, then a modification to the Service Auditor’s Assurance Report should be required to draw the reader’s attention to these areas.

This change would permit paragraph 12 to be amended to remove clause 12.(a)(iii). It is our view that clause 12.(a)(iii) should be removed as auditors will not apply this clause consistently due to its ambiguity.

5. *Whether the description of tests of controls included in a Type B report should include the disclosure of sample sizes determined by the service auditor only when a deviation from controls is found.*

We believe this to be appropriate.

Request for Comments on the Application of the Clarity Drafting Conventions

1. *Respondents are asked to consider whether the objective for the proposed ISAE is appropriate and whether the proposed requirements are appropriate responses.*

We believe the objective is appropriate.

We question the approach taken with respect to changes in controls. We noted that significant changes to controls are not required to be disclosed in the report, rather paragraph A20 appears to suggest that the service organization would issue a report covering the system both before and after the change. In addition, both the auditor’s report and management assertion appear to assume that the controls are consistent throughout the entire period. Is this what is intended?

We believe that if the report cannot accommodate a change in the controls mid-period, many of the service organizations will be discontented as this will impact the timing of when they issue their service auditor reports.

Comments on Other Matters

1. *Matters that the AASB should consider in reviewing ISAE 3402 to determine what changes, if any, are required to the current Section 5970 and AuG-42, including the possibility of replacing them by adopting ISAE 3402.*

No changes should be made to Section 5970 or AuG-42. We believe that Canada should not adopt ISAE unless the USA does so as well.

Thank-you for your consideration of the above-noted comments. If you have any further questions, please contact me at (416) 369-6030.

Yours truly,

BDO DUNWOODY LLP
Chartered Accountants

Sam Khoury

Sam Khoury CA·IT, CPA, CITP
Partner
Risk Advisory Services

May 5, 2008

By email: ed.assurancestds@cica.ca

Mr. Greg Shields, CA
Director, Auditing and Assurance Standards
The Canadian Institute of Chartered Accountants
277 Wellington Street West
Toronto Ontario M5V 3H2

Dear Mr. Shields,

Re: Invitation to comment: Assurance Reports on Controls at a Third Party Service Organization – February 2008

We note from the Auditing and Assurance Standards Board's (AASB) invitation to comment on *Assurance Reports on Controls at a Third Party Service Organization*, that the AASB is committed to adopting International Standards on Auditing but has not yet decided whether to adopt other international standards dealing with assurance and related service engagements. We believe that an understanding of the AASB's intended approach to such standards is essential for providing comments on a particular standard. Therefore we will wait to provide comments until such time that the AASB issues an exposure draft on the Canadian Assurance Engagement Standard to either adopt ISAE 3402, *Assurance Reports on Controls at a Third Party Service Organization*, or to modify CICA Handbook Section 5970, *Auditor's Report on Controls at a Service Organization* and AuG-42, *Service Organizations that use other Service Organizations*.

We wish to thank the AASB for their invitation to comment on this matter.

Yours truly,



J. Andrew Cook, FCA, Licensed Public Accountant
National Professional Practice Director
Deloitte & Touche LLP