



Québec, le 11 août 2011

Technical Director
International Auditing and Assurance Standards Board
545 Fifth Avenue, 14th Floor
New York, New York 10017 USA

**Objet : ED ISAE 3000 – Assurance Engagements Other Than Audits or Reviews of
Historical Financial Information**

Madame, Monsieur,

J'ai le plaisir de vous faire parvenir ci-joint, les commentaires du Vérificateur général du Québec concernant le document cité en rubrique.

Je vous prie d'agréer, Madame, Monsieur, l'expression de mes sentiments distingués.

Le vérificateur général du Québec,

Renaud Lachance, FCA

p. j.

Cc. : Greg Shields, CA, Directeur, Normes d'audit et de certification, ICCA

PROPOSED INTERNATIONAL STANDARD ON ASSURANCE ENGAGEMENTS (ISAE)

ISAE 3000 – ASSURANCE ENGAGEMENTS OTHER THAN AUDITS OR
REVIEWS OF HISTORICAL FINANCIAL INFORMATION

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?

La norme ISAE 3000 constitue un ensemble autonome et bien intégré permettant de répondre à des utilisateurs différents. Particulièrement, notons l'intégration concise et précise des exigences à l'égard de la planification, de l'utilisation d'experts et de la documentation des dossiers.

Aussi, le contrôle de la qualité nous semble bien défini, en particulier les responsabilités du praticien (paragraphes 29 à 31).

Par contre, compte tenu de plusieurs réserves significatives liées à la définition de « misstatement », à l'acceptation et la reconduction de mission et la prise en compte de la réalité du secteur public, nous invitons l'IAASB à apporter les changements requis afin que nous puissions recommander l'adoption de cette norme par l'ICCA.

Nos réserves sont décrites en réponse à chacune des questions, lorsque pertinentes.

2. With respect to levels of assurance:

- (a) Does proposed ISAE 3000 properly define, and explain the difference between, reasonable assurance engagements and limited assurance engagements?

Non. À notre avis, la notion de plausibilité ne devrait pas être abandonnée puisqu'elle était utile en pratique pour différencier le niveau d'assurance. Une mission d'examen ne peut pas être seulement « relativement moins certaine » qu'une mission de certification. Elle doit répondre à un niveau de qualité spécifique et comparable d'une mission à une autre. De même, on ne peut pas demander au praticien d'établir arbitrairement, en fonction de sa perception des besoins des utilisateurs, le niveau de travail requis pour considérer que c'est un niveau d'assurance raisonnable ou limitée. Des balises plus claires seraient requises et la notion de plausibilité serait aidante.

- (b) Are the requirements and other material in proposed ISAE 3000 appropriate to both reasonable assurance engagements and limited assurance engagements?

Oui.

- (c) Should the proposed ISAE 3000 require, for limited assurance, the practitioner to obtain an understanding of internal control over the preparation of the subject matter information when relevant to the underlying subject matter and other engagement circumstances?

Nous n'avons pas de commentaire spécifique à ce sujet.

3. With respect to attestation and direct engagements:

- (a) Do respondents agree with the proposed changes in terminology from —assurance-based engagements to —attestation engagements as well as those from —direct-reporting engagements to —direct engagements?

Oui.

- (b) Does proposed ISAE 3000 properly define, and explain the difference between, direct engagements and attestation engagements?

En général, oui, sauf les commentaires pertinents en 3(c).

- (c) Are the objectives, requirements and other material in the proposed ISAE 3000 appropriate to both direct engagements and attestation engagements? In particular:

- (i) In a direct engagement when the practitioner's conclusion is the subject matter information, do respondents believe that the practitioner's objective in paragraph 6(a) (that is, to obtain either reasonable assurance or limited assurance about whether the subject matter information is free of material misstatement) is appropriate in light of the definition of a misstatement (see paragraph 8(n))?

Non.

La notion de « misstatement », telle que présentée à travers la norme ISAE 3000, n'est pas appropriée au contexte où le praticien procède lui-même à l'évaluation du sujet, soit en appréciation directe (vérification d'optimisation des ressources). Dans une mission d'appréciation directe, la notion de « misstatement » ne peut pas s'appliquer parce que le vérificateur cherche à mesurer l'écart entre les observations découlant de l'application de ses procédés de vérification et ses attentes illustrées par les critères retenus. La notion de « misstatement » réfère plutôt à une concrétisation du risque de vérification pour le praticien (échec de la mission), ce qui n'est pas l'objet recherché ici. Contrairement à l'attestation financière, où le praticien vérifie une assertion de la direction, publiée par celle-ci, en appréciation directe, le praticien produit le rapport et les informations afférentes. Il ne peut donc être question de « misstatement » tel que défini.

De plus, dans le cas d'une mission d'appréciation directe, l'utilisateur du rapport pourrait ne jamais ou exceptionnellement déceler une erreur du praticien (en ce sens ceci constituerait un échec de la mission). Par

conséquent, il est conceptuellement impossible d'accumuler ces erreurs (voir le paragraphe 43).

À notre avis, la norme ISAE 3000 devrait aborder plus précisément ce sujet, en spécifiant clairement dans l'objectif (6 (b)) que la mesure est faite par le praticien. La définition de « misstatement » devrait aussi être ajustée pour inclure une spécification à l'effet que « misstatement » en appréciation directe signifie que le sujet sous-jacent est non conforme au(x) critère(s) applicable(s). **Il peut aussi être opportun de considérer l'option d'utiliser un autre terme que « misstatement » pour l'appréciation directe, et ainsi encore mieux favoriser la clarté de ce concept dans le contexte de l'appréciation directe (par exemple « Écart par rapport aux critères¹ »).**

Parallèlement, la notion du risque lié aux « misstatement » ne peut être abordée de la même façon que pour l'attestation financière ou d'autres formes d'attestations (par exemple, la certification des contrôles internes). Il s'agirait pour le vérificateur d'évaluer le risque qu'il fasse des erreurs de mesure, alors que l'objectif poursuivi par le vérificateur est de fournir cette mesure aux usagers du rapport (voir les paragraphes 8(v) et A7).

- (ii) In some direct engagements the practitioner may select or develop the applicable criteria. Do respondents believe the requirements and guidance in proposed ISAE 3000 appropriately address such circumstances?

Oui.

4. With respect to describing the practitioner's procedures in the assurance report:

- (a) Is the requirement to include a summary of the work performed as the basis for the practitioner's conclusion appropriate?

Oui. L'inclusion au rapport de vérification d'un « informative summary of the work performed as the basis for the practitioner's conclusion » contribuera généralement à mieux faire comprendre la valeur de l'information contenue dans les rapports, en lien avec les travaux réalisés. Cependant, ces exigences ne doivent pas faire en sorte de divulguer les stratégies de vérification du praticien.

- (b) Is the requirement, in the case of limited assurance engagements, to state that the practitioner's procedures are more limited than for a reasonable assurance engagement and consequently they do not enable the practitioner to obtain the assurance necessary to become aware of all significant matters that might be identified in a reasonable assurance engagement, appropriate?

Oui.

¹ En anglais, le terme « Deviation from criteria » pourrait être utilisé.

- (c) Should further requirements or guidance be included regarding the level of detail needed for the summary of the practitioner's procedures in a limited assurance engagement?

Non.

5. Do respondents believe that the form of the practitioner's conclusion in a limited assurance engagement (that is, —based on the procedures performed, nothing has come to the practitioner's attention to cause the practitioner to believe the subject matter information is materially misstated) communicates adequately the assurance obtained by the practitioner?

Oui. En considérant l'inclusion du contenu de la question 4(b) ci-dessus.

6. With respect to those applying the standard:

- (a) Do respondents agree with the approach taken in proposed ISAE 3000 regarding application of the standard by competent practitioners other than professional accountants in public practice?

Oui. À notre avis, la norme ISAE 3000 fournit des exigences suffisantes à ce sujet.

- (b) Do respondents agree with proposed definition of « practitioner »?

Oui.

Comments on Other Matters

The IAASB is also interested in comments on matters set out below.

- *Public Sector* — Recognizing the applicability of proposed ISAE 3000 to many assurance engagements in the public sector, the IAASB invites respondents from this sector to comment on the proposed ISAE, in particular on whether, in their opinion, the special considerations in the public sector environment have been dealt with appropriately in the proposed ISAE.

Certaines réserves importantes méritent d'être portées à votre attention. En effet, les réalités du secteur public sont peu considérées, et plusieurs sujets risquent d'engendrer des travaux inutiles ou seront interprétés avec ambiguïté. La crédibilité de cette norme pour les vérificateurs législatifs risque d'être affaiblie notamment par les éléments suivants :

- « Written representation »: Lorsque le vérificateur exécute une mission d'appréciation directe, il doit valider, au début de la mission et non à la fin (voir le paragraphe 51), les responsabilités du management par rapport au sujet traité. Il en va de la qualité et de l'efficacité de la mission. Nous suggérons à l'IAASB d'inclure cette considération au paragraphe 51, afin de refléter la réalité à l'effet que le praticien valide sa compréhension des responsabilités du management à la fin de la

phase de planification, et que les autres déclarations sont obtenues au fur et à mesure des travaux ou à une date aussi près que possible de la date du rapport, mais pas après.

- « Acceptance and continuance »: Les notions abordées ne sont pas pertinentes pour le secteur public. La réalité des vérificateurs législatifs fait en sorte qu'ils choisissent eux-mêmes tant les missions que leur portée, à l'intérieur du champ de compétence édicté par le législateur. Les vérificateurs législatifs doivent simplement annoncer les missions en fonction des responsabilités identifiées, et valider leur compréhension de celles-ci (voir le point sur « written representation »). Les considérations normatives au sujet de « acceptance and continuance » sont d'autant plus inappropriées qu'elles sont intégrées dans plusieurs sections (notamment 29(a), A80)). Dans cette section, notons aussi l'inapplicabilité de plusieurs considérations relatives aux « preconditions for the assurance engagement ». Dans la pratique du secteur public, l'absence de certaines de ces « preconditions » peut au contraire inciter fortement le vérificateur législatif ou le parlement (par un mandat particulier) à entreprendre une mission d'appréciation directe (voir 20(a), 20(b) (i), (iii), (v)). Dans ces circonstances, il pourrait être approprié et même crucial d'entreprendre une mission dans le secteur public, compte tenu de l'intérêt des parlementaires pour la vérification d'optimisation des ressources qui sert à identifier les problèmes de gestion. Somme toute, le contexte légal ainsi que le fait que le management n'est pas le client du rapport d'appréciation directe mais plutôt les parlementaires, les « preconditions » proposées dans le projet de norme sont non seulement non-pertinentes à plusieurs égards, mais elles risquent de provoquer beaucoup d'ambiguïtés.

Cadre conceptuel

Étant donné l'absence de cadre conceptuel au Canada, il serait approprié d'intégrer l'annexe 5 de l'« International Framework for Assurance Engagements » dans la norme ISAE 3000. Cet ajustement favoriserait une meilleure compréhension de ce qu'est une mission d'appréciation directe (en l'occurrence la vérification d'optimisation des ressources) en la positionnant plus précisément par rapport aux autres produits de certification couverts par la norme ISAE 3000.

- *Small-and Medium-Sized Practices (SMPs) and Small-and Medium-Sized Entities (SMEs)* — Recognizing the applicability of proposed ISAE 3000 to assurance engagements on historical financial information in a SME context or by SMPs, the IAASB invites respondents from this constituency to comment on the proposed ISAE, in particular on the scalability of requirements.

Nous n'avons pas de commentaire spécifique à ce sujet.

- *Developing Nations* — Recognizing that many developing nations have adopted or are in the process of adopting the International Standards, the IAASB invites respondents from these nations to comment on the proposed ISAE, in particular, on any foreseeable difficulties in applying it in a developing nation environment.

Nous n'avons pas de commentaire spécifique à ce sujet.

- *Translations* — Recognizing that many respondents may intend to translate the final ISAE for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents may note in reviewing the proposed ISAE.

Nous serions intéressés à avoir une norme en français.

- *Effective Date* — The IAASB believes that an appropriate effective date for the final ISAE 3000 would be 12–15 months after approval of the final standard but with earlier application permitted. The IAASB welcomes comment on whether this would provide a sufficient period to support effective implementation of the ISAE.

Nous favorisons une date d'application comprise entre 15 et 24 mois après l'approbation de la norme, ceci afin d'ajuster nos outils de travail et de dispenser la formation appropriée à notre personnel.

- *Other considerations*

Date du rapport et période des travaux

En plus de la date du rapport, le rapport du vérificateur qui accomplit une mission d'appréciation directe doit contenir la période couverte par les travaux, car cette information qualifie de manière très utile les constats du praticien (particulièrement si le vérificateur a procédé à la vérification de dossiers durant sa mission (par exemple : Dossiers d'appel d'offres, Dossiers de subventions).



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SASKATCHEWAN

August 10, 2011

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 – Exposure Draft ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information

Thank you for the opportunity to comment on the subject exposure draft. Overall, we strongly disagree with proposed ISAE 3000. Our response to the specific exposure draft questions are noted below. Our response to IAASB on the exposure draft is attached to this letter.

Responses to Questions

1. We do not consider the proposed standard to meet our Canadian context needs. As such, it would not be appropriate for the AASB to adopt proposed ISAE 3000 to replace Sections 5025, 5030, 5049 and 5050.
 - (a) Proposed ISAE 3000 would need significant change, including changes to fundamental concepts, to be rendered appropriate.
 - (b) The objective and concept of misstatement as defined in proposed ISAE 3000 are not appropriate for direct engagements. According to proposed ISAE 3000, if the practitioner in a direct engagement has not properly measured the underlying subject matter against the criteria, the practitioner's resulting subject matter information is a misstatement. This result is not analogous to a misstatement by management in an assertion in an attest engagement. Using the same definition to describe both circumstances is inappropriate. The objective of a direct engagement is to measure or evaluate the underlying subject matter against the criteria. Proposed ISAE 3000 does not include the identification and accumulation of departures or deviations from the criteria and their consideration in forming the assurance conclusion.
2. If proposed ISAE 3000 could be satisfactorily amended, the AASB should consider removing Sections PS 5000 – PS6420 from Other Canadian Standards, with the exception of PS 5300. PS 5300 includes requirements for a specific subject matter (compliance with legislative and related authorities in the public sector). These requirements continue to be relevant. The remaining Sections provide useful guidance but do not need to be in the form of a standard.

Yours truly,

Bonnie Lysyk, MBA, CA
Provincial Auditor

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12 August 2011

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 Engagements, for input on the Exposure Draft of proposed International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board (IAASB)

The Canadian Council of Legislative Auditors (CCOLA), being the Auditor General of Canada and the Auditors General/Provincial Auditors of the Canadian provinces and Bermuda, regularly exchange and discuss matters of mutual interest. Canada is one of the few countries in the world whose legislative auditors base their performance audit reports (direct reporting engagements) on assurance standards. Accordingly, the input of CCOLA members on the ITC – Assurance Engagements and its application in the public sector should be of critical importance for the AASB's consideration.

Our community identified significant conceptual issues when ISAE 3000 was first exposed. While some of these issues have been addressed, such as changing the definition of practitioner to include public sector auditors beyond IFAC members, we still have a number of significant concerns with this revised exposure draft.

Our view is that the proposed standard does not adequately address the requirements when a direct engagement is undertaken by the auditor and as a result would be difficult to apply to performance audits conducted by Canadian legislative auditors. It is still written with too much of an attestation perspective. It does not reflect the evolution of assurance engagement practices in Canada nor does it meet the needs of Canadian practitioners, particularly those in the public sector who conduct direct engagements.

The proposed standard limitations are numerous and are outlined in responses to the IAASB from individual Canadian legislative audit offices. Some of the most significant issues relate to the concepts of misstatement, accumulation of misstatements, acceptance and continuance preconditions and the public sector risk of non compliance with the ISAE.

While we generally support the AASB harmonization of standard strategy, we do not think it should be carried out at any price. Unless significant revisions are made to address our concerns so that the standard would be meaningful to performance auditors in the Canadian public sector, we do not support the AASB adopting ISAE 3000. We would instead strongly suggest it initiate a project to revise standards for non-financial assurance engagements in Canada.

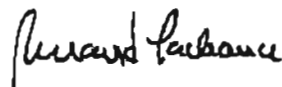
We fully support efforts to develop an umbrella standard for all assurance engagements in Canada that is meaningful for both non-financial attestation engagements as well as direct engagements. This could take the form of ISAE 3000 (although major changes would be required to make it meaningful for direct engagements) or an updated section 5025. In either case, we would encourage the Board to, at a later date, undertake a project to develop a specific standard for performance audits in the public sector (building on PS 5000 – PS 6420).

Our responses to the specific questions posed in the ITC are provided below.

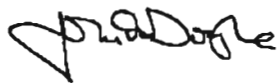
Sincerely,



Mr. John Wiersema, FCA
Interim Auditor General of Canada



Monsieur Renaud Lachance, FCA
Vérificateur général du Québec



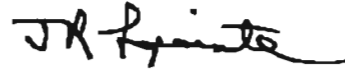
Mr. John Doyle, MBA, CA
Auditor General of British Columbia



Ms. Kim MacPherson, CA
Auditor General of New Brunswick



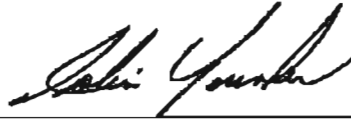
Mr. Merwan N. Saher, CA
Auditor General of Alberta



Mr. Jacques Lapointe, CA•CIA
Auditor General of Nova Scotia



Ms. Bonnie Lysyk, MBA, CA•CIA
Provincial Auditor of Saskatchewan



Mr. Colin P. Younker, CA
Auditor General of Prince Edward Island



Ms. Carol Bellringer, FCA
Auditor General of Manitoba



Mr. Wayne R. Loveys, CMA
Auditor General (Acting) of
Newfoundland and Labrador



Mr. Jim McCarter, FCA
Auditor General of Ontario

Responses to AASB questions in the ITC.

1. If ISAE 3000 is approved as proposed in the Exposure Draft, do you believe that it would be appropriate for the AASB to adopt ISAE 3000 to replace Sections 5025, 5030, 5049 and 5050? Please provide reasons supporting your response, including, when applicable, the types of amendments to ISAE 3000 you consider would be necessary for the standard to be appropriate for use in the Canadian context. In this respect, the AASB is particularly interested in understanding whether:

(a) there is a need for additional requirements in ISAE 3000 that would make it an appropriate stand-alone standard (see also Question 1 in the IAASB's Exposure Draft); and
(b) the objective and the concept of misstatement as outlined in ISAE 3000 are appropriate for direct engagements (see also Question 3 in the IAASB's Exposure Draft).

Response: If ISAE 3000 is approved as proposed in the Exposure Draft, we do not believe that it would be appropriate for the AASB to adopt ISAE 3000 to replace Sections 5025, 5030, 5049 and 5050. Instead, we would strongly recommend the Board commence a project to revise those sections for use in Canada. Please refer to our comments above.

2. If ISAE 3000 is approved as proposed in the Exposure Draft and adopted for use in Canada (with appropriate amendments, if any), what actions do you believe the AASB should take with respect to the CICA Handbook – Assurance Sections dealing with the public sector (i.e., Sections PS 5000 – PS 6420) that are related to Section 5025? Please provide reasons supporting your response.

Response:

We fully support efforts to develop an umbrella standard for all assurance engagements in Canada that is meaningful for both non-financial attestation engagements as well as direct engagements. This could take the form of ISAE 3000 (although major changes would be required to make it meaningful for direct reporting engagements) or an updated section 5025. In either case, we would encourage the Board to, at a later date, undertake a project to develop a specific standard for performance audits in the public sector (building on PS 5000 – PS 6420).

BDO

August 12th, 2011

Greg Shields, CA
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Re: Exposure Draft - ISAE 3000 (revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information

Dear Greg:

We are pleased to have the opportunity to comment on the above Exposure Draft.

Comments Requested by AASB

- 1. If ISAE 3000 is approved as proposed in the Exposure Draft, do you believe that it would be appropriate for the AASB to adopt ISAE 3000 to replace Sections 5025, 5030, 5049 and 5050? Please provide reasons supporting your response, including, when applicable, the types of amendments to ISAE 3000 you consider would be necessary for the standard to be appropriate for use in the Canadian context. In this respect, the AASB is particularly interested in understanding whether: (a) there is a need for additional requirements in ISAE 3000 that would make it an appropriate stand-alone standard (see also Question 1 in the IAASB's Exposure Draft); and (b) the objective and the concept of misstatement as outlined in ISAE 3000 are appropriate for direct engagements (see also Question 3 in the IAASB's Exposure Draft).*
 - ISAE 3000.2 - Requiring the practitioner to comply with International Rules of Professional Conduct and ISQC1 (or equally stringent criteria) may pose challenges to some who would want to use the standard (i.e., small practices that only do tax and NTRs, non-accounting types who want to provide assurance reports under a standard and choose this ISAEs for that purposes (i.e., S5970s, etc.)).
 - ISAE 3000.8 - The definitions of 'underlying subject matter', 'subject matter information' and suitable criteria are confusing at times, especially when one starts dealing with direct engagements as the lines begin to blur between the auditor's report / opinion and the subject matter information in these direct engagements. Specifically, how can a practitioner give a meaningful audit report on the subject matter information when they are the one creating the subject matter information? Specifically, for paragraphs like 18(a), 60(a), A31, or A10, the question is how can the practitioner be independent in auditing the subject matter information when he / she created it in a direct engagement? There will be difficulty applying this to direct engagements generally, even with the added guidance in 3000.A6 and A68.
 - ISAE 3000.A154 - This paragraph suggests an attestation engagement can be worded in terms of the underlying subject matter and the criteria. Here, practitioners may confuse this definitions of a direct engagement and an attestation engagement (ISAE 3000.8(a)(ii)).
 - ISAE 3000.8(e) - We understand the concept that this standard is intended to be a 'stand-alone' standard, one aim of which, is to allow non-CAs to provide these types of engagements. But with the definition of 'Engagement partner' as given, including the various rules for public accounting licenses in Ontario for example, it is difficult to see how this definition and standard would be applied outside a CA firm context.

- Furthermore, it is difficult for this to be a 'standalone' standard given some of the smaller nuances that are addressed in the CASs but not in this standard: CAS 705, CAS 706, CAS 710, CAS 720, CAS 560, etc. There is much guidance in these CASs (e.g. subsequent events) that provide useful and necessary guidance which, as a standalone standard, ISAE 3000 does not address but these are integral parts of an engagement.
- ISAE 3000.8 - the definition of materiality is missing from the definitions (but it appears to be included in the application sections in A84-A91).
- ISAE 3000.42, A2 - The concept of the level of assurance in a limited assurance engagement being that which is 'meaningful to the users' is a very difficult and impracticable concept to apply. For both practitioners and users, it is very difficult to know what this means and how it translates into actual procedures. Professional judgement would be needed and would potentially vary significantly between practitioners without some further guidance or related sub-standard.
- ISAE 3000.60(f) - Raises the concept of 'special purpose' but there appears to be little in the standard to deal with all the unique aspects, including reporting, similar to CAS 800 / CAS 805. Again the 'stand-alone' nature is called into question.
- ISAE 3000.60(k) - The concept of including a 'summary of work plan' could be very difficult to apply in practice, especially in the case of ISAE 3000 engagements with no further subsections and in the case of limited assurance engagements.
- ISAE 3000.63 - If this standard does not give the option of expressing a 'true and fair view', it is called into question whether the standard really is equivalent to the other standards on assurance engagements.
- ISAE 3000.A60 - If adopted in Canada, various cross references to other International standards will need to be replaced with Canadian equivalents. This could pose a problem if there are references to standards not yet adopted in Canada. There may be Canadian equivalent standards that can be referenced, however they will also have to be analyzed to ensure their requirements are similar.
- ISAE 3000.A131 - This paragraph seems to hint at the concept of a compliance opinion vs. a fair presentation opinion but this seems to be the first mention of this concept in this ED. If the intent is to allow for compliance vs. fair presentation opinions, the standard needs further guidance, especially if it is to be stand-alone from the CASs / ISAs.

Comments Requested by IAASB

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?*

Overall we feel the standard allows for much flexibility. The standard is very principles based so without a more specific sub-standard for the particular nature of the engagement, it would be difficult to envision how consistency would be achieved given the amount of 'professional judgement' involved in the interpretation and application.

Generally there is extensive use of 'may' and 'might' in the standard which may lead to inconsistency in the application of the principles.

The main confusion lies with the concept of Attestation vs. Direct engagements. For Direct Engagements, the practitioner will also be preparing the subject matter information and this is different from the usual audit. This can potentially create a self review threat (Assurance and Limited).

2. *With respect to levels of assurance:*

- (a) *Does proposed ISAE 3000 properly define, and explain the difference between, reasonable assurance engagements and limited assurance engagements?*

Somewhat. Limited assurance engagements seem very open to different levels of assurance although in theory it should match the assurance sought by the particular

user. This is difficult for a practitioner to determine the extent of procedures in a particular case, especially for 'general purpose' engagements.

- (b) *Are the requirements and other material in proposed ISAE 3000 appropriate to both reasonable assurance engagements and limited assurance engagements?*

Yes, but see answer in (a) above.

- (c) *Should the proposed ISAE 3000 require, for limited assurance, the practitioner to obtain an understanding of internal control over the preparation of the subject matter information when relevant to the underlying subject matter and other engagement circumstances?*

This is a point that can be debated. Some feel that this is a requirement for Review Engagements (ISRE 2400) so it should be consistently required for this standard as well. Others feel that the extent of work for limited assurance engagements is variable and based on what the practitioner thinks the user would expect, it seems theoretically wrong to require / prohibit it because the user may expect that in a particular circumstance, putting the practitioner in a dilemma.

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

- (a) *Do respondents agree with the proposed changes in terminology from 'assurance-based engagements' to 'attestation engagements' as well as those from 'direct-reporting engagements' to 'direct engagements'?*

No.

- (b) *Does proposed ISAE 3000 properly define, and explain the difference between, direct engagements and attestation engagements?*

Yes, additional examples would be beneficial.

- (c) *Are the objectives, requirements and other material in the proposed ISAE 3000 appropriate to both direct engagements and attestation engagements? In particular:*

- (i) *In a direct engagement when the practitioner's conclusion is the subject matter information, do respondents believe that the practitioner's objective in paragraph 6(a) (that is, to obtain either reasonable assurance or limited assurance about whether the subject matter information is free of material misstatement) is appropriate in light of the definition of a misstatement (see paragraph 8(n))?*

No, see previous comments regarding potential confusion regarding direct engagements.

- (ii) *In some direct engagements the practitioner may select or develop the applicable criteria. Do respondents believe the requirements and guidance in proposed ISAE 3000 appropriately address such circumstances?*

No, see previous comments regarding potential confusion regarding direct engagements.

4. *With respect to describing the practitioner's procedures in the assurance report:*

- (a) *Is the requirement to include a summary of the work performed as the basis for the practitioner's conclusion appropriate?*

The question is whether the intent here would result in a specified procedures report. This can lead to confusion. Further definition on the amount of detail necessary is needed. More guidance on this area as it pertains to differentiating between reasonable and limited assurance engagements, would be helpful.

- (b) *Is the requirement, in the case of limited assurance engagements, to state that the practitioner's procedures are more limited than for a reasonable assurance engagement and consequently they do not enable the practitioner to obtain the*

assurance necessary to become aware of all significant matters that might be identified in a reasonable assurance engagement, appropriate?

Yes, it is appropriate to include so there is clarity over the extent of work.

(c) Should further requirements or guidance be included regarding the level of detail needed for the summary of the practitioner's procedures in a limited assurance engagement?

Yes, examples would be useful. We believe the summary of procedures should only be at a high level and easy to understand by the users of the report.

5. *Do respondents believe that the form of the practitioner's conclusion in a limited assurance engagement (that is, 'based on the procedures performed, nothing has come to the practitioner's attention to cause the practitioner to believe the subject matter information is materially misstated') communicates adequately the assurance obtained by the practitioner?*

While some of us believe that it would adequately communicate the assurance obtained, others believe that because the standard anticipates varying levels of limited assurance (determined by the practitioners judgement of the level of assurance desired by the user), the use of a single opinion phrase may not be sufficient here. This results in potentially two limited assurance engagements having the same opinion but might have vastly different levels of actual assurance and work.

6. *With respect to those applying the standard:*

(a) Do respondents agree with the approach taken in proposed ISAE 3000 regarding application of the standard by competent practitioners other than professional accountants in public practice?

Terms used are generally derived from ISAs and if non-accountants use this framework they may not have the depth of understanding compared to a practitioner that has audit experience.

(b) Do respondents agree with proposed definition of 'practitioner'?

See (a) above.

Thank-you for your consideration of the above-noted comments. If you have any further questions, please contact me at (416) 369-3097.

Yours truly,

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