



Exposure Draft

Proposed Assurance and Related Services Guideline

Reporting on Compliance with Specified Authorities for Transactions Coming to the Auditor's Notice during the Audit of Financial Statements

August 2017

COMMENTS TO THE AASB MUST BE RECEIVED BY
November 28, 2017

**Respondents are asked to email their comment letters
(in a Word file) to:**

info@asbcanada.ca

Please address your comments to:

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This Exposure Draft reflects a proposal by the Auditing and Assurance Standards Board (AASB) to adopt a new assurance and related services guideline, subject to deliberating comments received.

Individuals and organizations are invited to send written comments on the Exposure Draft proposals. Comments are requested from those who agree with the Exposure Draft as well as from those who do not.

Comments are most helpful if they are related to a specific paragraph or group of paragraphs. Any comments that express disagreement with the proposals in the Exposure Draft should clearly explain the problem and include a suggested alternative, supported by specific reasoning. All comments received by the AASB will be available on the website shortly after the comment deadline, unless confidentiality is requested. The request for confidentiality must be stated explicitly within the response.

Highlights

The Auditing and Assurance Standards Board (AASB) proposes, subject to comments received following exposure, to issue Assurance and Related Services Guideline AuG-49, *Reporting on Compliance with Specified Authorities for Transactions Coming to the Auditor's Notice during the Audit of Financial Statements*. AuG-49 would replace AUDITING FOR COMPLIANCE WITH LEGISLATIVE AND RELATED AUTHORITIES IN THE PUBLIC SECTOR, paragraphs PS 5300.14-.16, which address engagements that require an auditor to express an opinion on whether the transactions that have come to their notice in the course of conducting a financial statement audit complied with specified authorities.

The AASB recently issued a [Re-exposure Draft](#) of Canadian Standard on Assurance Engagements (CSAE) 3530, *Special Considerations — Attestation Engagements to Report on Compliance*, and CSAE 3531, *Special Considerations — Direct Engagements to Report on Compliance*. This Re-exposure Draft addressed a portion of Section PS 5300. The Board proposes that, on the issuance of the final pronouncements resulting from this Exposure Draft and the Re-exposure Draft, Section PS 5300 will be withdrawn. The background section below and the table in Appendix I provide further information on how Section PS 5300 address the different types of compliance engagements.

Background

In July 2015, the AASB issued CSAE 3000, *Attestation Engagements Other Than Audits or Reviews of Historical Financial Information*, and CSAE 3001, *Direct Engagements*. These assurance standards apply to the Board's standards dealing with audits of public sector entities (referred to as the PS series in this document) that comprise:

- INTRODUCTION TO ASSURANCE RECOMMENDATIONS THAT APPLY ONLY TO THE PUBLIC SECTOR, Section PS 5000;
- AUDITING FOR COMPLIANCE WITH LEGISLATIVE AND RELATED AUTHORITIES IN THE PUBLIC SECTOR, Section PS 5300;
- VALUE-FOR-MONEY AUDITING IN THE PUBLIC SECTOR, Section PS 5400;
- PLANNING VALUE-FOR-MONEY AUDITS IN THE PUBLIC SECTOR, Section PS 6410; and
- KNOWLEDGE OF THE AUDIT ENTITY IN PLANNING VALUE-FOR-MONEY AUDITS IN THE PUBLIC SECTOR, Section PS 6420.

In September 2015, the AASB launched a project to review and revise the PS series. The first standard reviewed under this project is Section PS 5300. The Board's assessment has identified the following proposed changes relating to Section PS 5300:

- Requirements and application material in paragraphs PS 5300.11-13 will be addressed by proposed CSAE 3530 or CSAE 3531.
- Requirements and application material in paragraphs PS 5300.14-.16 will be addressed by proposed AuG-49.
- Requirements and application material in paragraphs PS 5300.17-24 are addressed by Canadian Standard on Related Services (CSRS) 4460, *Reports on Supplementary Matters Arising from an Audit or a Review Engagement*.

See Appendix I for more information.

Main features of this Exposure Draft

The main features of proposed AuG-49 are as follows:

Scope of proposed AuG-49

Requirements and application material in paragraphs PS 5300.14-.16 address how an auditor reports when expressing an opinion on whether transactions coming to the auditor's notice during an audit of the financial statements complied with specified authorities. Proposed AuG-49 has the same scope as paragraphs PS 5300.14-.16. Therefore, it does not address how to perform the compliance engagement.

Separate section in the auditor's report

Paragraph 43 of revised Canadian Auditing Standard (CAS) 700, *Forming an Opinion and Reporting on Financial Statements*, requires that if the auditor addresses other reporting responsibilities in the auditor's report on the financial statements that are in addition to the auditor's responsibilities under the CASs, these other reporting responsibilities be addressed in a separate section in the report subtitled "Report on Other Legal and Regulatory Requirements," or otherwise as appropriate to the content. Reporting on transactions that have come to the auditor's notice during an audit of the financial statements is an "other reporting responsibility." In the course of the audit of the financial statements, the transactions selected for financial statement attest purposes are also examined for compliance with specified authorities, when applicable, under this proposed guideline. Proposed AuG-49 describes how the auditor's report on compliance with specified authorities is included in a separate section of the auditor's report.

Wording of the opinion

Paragraph PS 5300.16(b) requires the auditor's opinion to include the phrase "in all significant respects" in the auditor's report. In proposed AuG-49, the opinion includes the phrase "in all material respects". This wording is consistent with the wording used in the opinion paragraph in the report on the financial statements.

The AASB believes that when the auditor expresses the opinion on the transactions audited for compliance along with the audit opinion on the financial statements, inconsistent wording of the two opinions in a single report may confuse users, especially when the concepts are similar (see, for example, paragraph A93 of CSAE 3001).

Modified opinions

When the auditor expresses a modified opinion on compliance, the auditor includes a description of the matter(s) causing the modification. This description is included in a separate paragraph placed immediately after the opinion paragraph using the heading "Basis for Qualified Opinion," "Basis for Adverse Opinion" or "Basis for Disclaimer of Opinion." In addition, the opinion paragraph is also given a heading of "Qualified Opinion," "Adverse Opinion," or "Disclaimer of Opinion." This highlights to users of the report that the opinion has been modified and provides the basis for that modification.

Alerting users about the auditor's interpretations of requirements

Section PS 5300 does not require the auditor to refer in the auditor's report to interpretations the auditor may have made during the compliance audit. The AASB believes that if the auditor makes any significant interpretations, the fact that interpretations are made may be useful information for users. However, the Board believes providing details about the interpretations in the report should be left to the auditor's discretion. There could be many different requirements that need to be interpreted and providing details about each interpretation could make the report unnecessarily detailed without adding value for users. Proposed AuG-49 indicates that the auditor may decide to describe any interpretations in the report. Disclosure of interpretations in AuG-49 is consistent with CSRS 4460. However, this differs from how this

matter is addressed in proposed CSAE 3530 and CSAE 3531, which require a description of significant interpretations in the practitioner's report.

Proposed CSAE 3530 and CSAE 3531 also require the practitioner to develop any significant interpretations in consultation with relevant parties and to seek acknowledgment from management that the interpretation is appropriate. Such procedures are not addressed in proposed AuG-49 because its scope is limited to the form of the auditor's report on compliance.

When the auditor's report includes significant interpretations that the auditor has made of requirements in specified authorities, the report would also indicate that the interpretations may differ from other interpretations.

Form of report

Under Section PS 5300, the auditor's report on compliance provides limited information. The AASB believes that the report could be more informative to users by adding more transparency about:

- the scope of the engagement; and
- management's responsibility for compliance with the specified authorities.

Since the responsibility to conduct the compliance engagement is specifically linked to the audit of the financial statements, the Board believes the auditor's responsibility paragraph in the report on the audit of the financial statements adequately describes the auditor's responsibilities.

The sample report in Appendix II shows how the report on compliance can be included in the section of the auditor's report addressing other reporting responsibilities.

Effective date

Although Guidelines typically become effective as at the date of issuance, the AASB proposes that AuG-49 would become effective for reports dated on or after April 1, 2019. This effective date aligns with the proposed effective date for CSAE 3530 and CSAE 3531. The AASB plans to withdraw Section PS 5300 once these new standards are effective.

Comments requested

The AASB requests comments on any aspect of proposed AuG-49. Comments are most helpful when they relate to a specific paragraph or group of paragraphs. Any comments that express disagreement with the proposals in the Exposure Draft should clearly explain the problem and include a suggested alternative, supported by specific reasoning.

The AASB seeks views on the following questions:

1. Do you agree that the scope of proposed AuG-49 should be limited to the form of the auditor's report on compliance?
2. Do you agree that the auditor's opinion on compliance should include the phrase "in all material respects" to be consistent with the wording of the opinion in the auditor's report on the financial statements?
3. Do you agree with how the proposal addresses interpretations in the auditor's report?
4. Do you agree with the proposed form of the compliance report?

5. Do you agree with the AASB's proposal to withdraw paragraphs PS 5300.17-.24? Do you agree that CSRS 4460 addresses such engagements?
6. Do you anticipate any issues with the implementation of this guideline given it will not be effective until April 1, 2019?

The deadline for providing your comments to the AASB is November 28, 2017.

APPENDIX I

Proposed changes relating to Section PS 5300

The following table outlines the proposed changes relating to Section PS 5300:

Compliance engagements addressed in Section PS 5300	Paragraph reference	Addressed by
Expressing an opinion on whether an entity complied with specified authorities or whether its transactions complied with specified authorities.	paragraphs PS 5300.11-13	Proposed CSAE 3530 or CSAE 3531
Expressing an opinion on whether the transactions that have come to the auditor's notice in the course of conducting a financial statement audit complied with specified authorities.	paragraphs PS 5300.14-16	Proposed AuG-49
Reporting instances of non-compliance with authorities observed in the course of conducting a financial statement audit.	paragraphs PS 5300.17-24	CSRS 4460

APPENDIX II

Sample independent auditor's report

[Appropriate Addressee]

Report on the Audit of the Financial Statements¹

Opinion

We have audited the financial statements of ABC Government Entity (the Entity), which comprise the statement of financial position as at December 31, 20X1, and the statement of operations, statement of change in net debt and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 20X1, and its financial operations and cash flows for the year then ended in accordance with [framework].

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards (GAAS). Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Financial Statements” section of our report. We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information [or another title if appropriate, such as “Information Other than the Financial Statements and Auditor’s Report Thereon”]

[Reporting in accordance with the reporting requirements in CAS 720.]

Responsibilities of Management and Those Charged with Governance for the Financial Statements²

Management is responsible for the preparation of the financial statements in accordance with [framework], and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations or has no realistic alternative but to do so.³

Those charged with governance are responsible for overseeing the Entity’s financial reporting process.

¹ This subtitle is unnecessary in circumstances when the second subtitle is not applicable.

² Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction.

³ The auditor assesses whether the going concern assumption is appropriate for the public sector entity.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

[Paragraph 41(b) of CAS 700 explains that the shaded material below can be located in an Appendix to the auditor's report. Paragraph 41(c) of CAS 700 explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below.]

As part of an audit in accordance with Canadian GAAS we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.⁴
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

⁴ This sentence would be modified, as appropriate, in circumstances when the auditor also has responsibility to issue an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements.

Report on Compliance with Specified Authorities⁵

In conjunction with the audit of the financial statements, we have audited transactions of ABC Government Entity coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are [identify the specified authorities].

In our opinion, the transactions of ABC Government Entity that came to our notice during the audit of the financial statements have complied, in all material respects, with [identify the specified authorities].

Management is responsible for ABC Government Entity's compliance with the specified authorities named above and for such internal control as management determines necessary to enable the entity to comply with the specified authorities.

The specified authorities include requirements that are subject to significant interpretation. Our interpretation may differ from other interpretations.

[Signature in the name of the audit firm, the personal name of the auditor, or both, as appropriate for the particular jurisdiction]

[Auditor Address]

[Date]

⁵ CAS 700, paragraph 43, requires a subtitle for the other reporting responsibility. This subtitle or another appropriate subtitle based on the content of the section can be used.

Assurance and related services guideline

Proposed AuG-49

Reporting on compliance with specified authorities for transactions coming to the auditor's notice during the audit of financial statements

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SCOPE

- 1 This Guideline provides guidance to auditors of public sector entities on the form of the auditor's report when expressing an opinion on whether the transactions that have come to the auditor's notice during the audit of financial statements complied with specified authorities.
- 2 In this Guideline, the term "authorities" refers to legislation, regulations, orders-in-council, directives, municipal by-laws, corporate by-laws and other instruments through which powers are established and delegated.
- 3 Auditors of public sector entities may use various reporting mechanisms (for example, an annual report, a report to a minister, a report to a public accounts committee) to report findings from their audits. Since the nature of the reporting responsibility addressed by this Guideline is specifically linked to the audit of the financial statements, this Guideline outlines how the auditor's report on compliance with specified authorities may be included as part of the auditor's report on the financial statements.
- 4 This Guideline does not apply to the following engagements:
 - (a) Attestation engagements to report on management's statement or assertion of the entity's compliance with specified requirements: For this engagement, the practitioner would apply the requirements in [proposed] CSAE 3530, *Special Considerations — Attestation Engagements to Report on Compliance*.
 - (b) Direct engagements to report on the entity's compliance with specified requirements: For this engagement, the practitioner would apply the requirements in [proposed] CSAE 3531, *Special Considerations — Direct Engagement to Report on Compliance*.
 - (c) An engagement other than an audit or review to report instances of non-compliance with authorities observed in the course of discharging their audit responsibilities: For this engagement, the practitioner would apply the requirements in CSRS 4460, *Reports on Supplementary Matters Arising from an Audit or a Review Engagement*.

- 5 Paragraph 43 of CAS 700, *Forming an Opinion and Reporting on Financial Statements*, requires that if the auditor addresses “other reporting responsibilities” in the auditor’s report on the financial statements that are in addition to the auditor’s responsibilities under the CASs, these other reporting responsibilities be addressed in a separate section in the auditor’s report that is subtitled “Report on Other Legal and Regulatory Requirements” or otherwise as appropriate to the content of the section. Reporting on transactions that have come to the auditor’s notice during the audit of financial statements is an “other reporting responsibility”. This Guideline outlines how the compliance opinion may be reported in a separate section of the auditor’s report.
- 6 Paragraph 43 of CAS 700 allows the auditor to report “other reporting responsibilities” together with the auditor’s report on the financial statements, when the “other reporting responsibilities” address the same topics as those presented under the reporting responsibilities required by the CASs. This Guideline does not provide guidance on how to report under these circumstances.

BACKGROUND

- 7 Public sector entities carry out their operations under the authority provided by relevant incorporating or enabling legislation. Legislation may set out directions, conditions and limitations that affect the administration and transactions of these entities and with which they must comply. For example, all government spending, revenue-raising, borrowing and investing activities are undertaken under the authority provided in legislation. Legislation also designates administrative responsibilities and powers, and provides directions in performing those functions. For example, it may govern the appointment of boards and commissions or prescribe procedures to follow in the acquisition of goods and services.
- 8 Legislation may delegate broad financial and administrative powers to governments, ministers, agencies and enterprises, which in turn may establish authorities with which entities must comply. Such authorities are subordinate to the enabling legislation and must comply with the directions, conditions and limitations set out in that legislation.
- 9 This structure of authorities constitutes a basis for control over the source, allocation and use of public resources. It has a pervasive effect on the activities of public sector entities that are accountable for operating in accordance with the authority provided to them.
- 10 Public sector entities may be subject to the provisions of numerous authorities. The auditor of such an entity requires knowledge of and familiarity with the authorities that apply to the entity being audited and the transactions for which it is responsible. Because the wording of these authorities may be subject to differing interpretations, the auditor may wish to obtain independent legal advice, particularly when there is reason to believe that authorities are being misinterpreted or that subordinate authorities do not adhere to the directions or limits prescribed by enabling legislation.

REPORTABLE TRANSACTIONS

- 11 The other reporting responsibility addressed in this Guideline refers to the examination of transactions for compliance with specified authorities. In the course of the audit of the financial statements, the transactions that are selected for financial statement attest purposes are also examined for compliance with specified authorities, when applicable. Since these transactions were not selected for the purpose of expressing an opinion on whether all the transactions of an entity complied with specified authorities, the auditor’s report would identify these transactions by reference to the audit of the financial statements.

- 12 In this situation, the auditor seeks reasonable assurance that the authorities specified in the auditor's report have been complied with. Absolute assurance in auditing is not attainable because of such factors as the need for judgment, the use of testing, the inherent limitations of internal controls, and because much of the evidence available to the auditor is persuasive rather than conclusive in nature.

REPORTING ON COMPLIANCE WITH SPECIFIED AUTHORITIES

Unmodified opinion

- 13 When expressing an opinion on whether transactions that came to the auditor's notice during the audit of the financial statements complied with specified authorities, the following contents are appropriate in the auditor's report on compliance:
- (a) Following the section containing the auditor's report on the financial statements under the heading "Report on the Audit of the Financial Statements," a separate section in the auditor's report subtitled "Report on Compliance with Specified Authorities" to address the report on compliance.
 - (b) A description of the nature of the audit, specifying:
 - (i) that the audit relates to transactions coming to the auditor's notice during the audit of the financial statements; and
 - (ii) the authorities against which compliance is being reported.
 - (c) The auditor's opinion on whether the transactions coming to the auditor's notice during the audit of the financial statements have complied, in all material respects, with the specified authorities. The phrase "in all material respects" is used for expressing the opinion on the transactions audited for compliance. This wording is consistent with the wording used in the auditor's opinion on the financial statements.
 - (d) A statement of management's responsibility for compliance with specified authorities and for such internal control as management determines necessary to enable the entity to comply with the specified authorities.
 - (e) When applicable:
 - (i) a statement indicating that the specified authorities include requirements that are subject to significant interpretation;
 - (ii) a statement that the auditor's interpretations may differ from other interpretations; and
 - (iii) at the auditor's discretion, a description of the interpretations.

Modified opinions

- 14 CAS 705, *Modifications to the Opinion in the Independent Auditor's Report*, deals with the auditor's responsibility to issue an appropriate report when the auditor concludes that a modification to the auditor's opinion on the financial statements is necessary. CAS 705 may also be relevant when the auditor determines that it is necessary to modify the auditor's opinion when reporting on compliance in accordance with this Guideline.

- 15 When the auditor identifies non-compliance with specified authorities, the impact of such non-compliance on the audit of the financial statements needs to be considered.
- 16 When the auditor modifies the auditor's opinion on compliance, the auditor uses the heading "Qualified Opinion," "Adverse Opinion," or "Disclaimer of Opinion," as appropriate, for the opinion paragraph.
- 17 When the auditor expresses a qualified opinion, the following wording for the opinion paragraph is appropriate:

In our opinion, except for the matter(s) of non-compliance described in the Basis for Qualified Opinion paragraph, the transactions of [the entity] that came to our notice during the audit of its financial statements have complied, in all material respects, with [identify the specified authorities].

- 18 When the auditor expresses an adverse opinion, the following wording for the opinion paragraph is appropriate:

In our opinion, because of the significance of the matter(s) described in the Basis for Adverse Opinion paragraph, the transactions of [the entity] that came to our notice during the audit of its financial statements have not complied with [identify the specified authorities].

- 19 When the auditor expresses a disclaimer of opinion, the following wording for the opinion paragraph is appropriate:

Because of the significance of the matter(s) described in the Basis for Disclaimer of Opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on whether the transactions of [the entity] that came to our notice during the audit of its financial statements have complied, in all material respects, with [identify the specified authorities].

- 20 When the auditor disclaims an opinion, the following wording of the first paragraph in the auditor's report on compliance is appropriate:

In conjunction with the audit of the financial statements, we examined transactions of [the entity] coming to our notice for compliance with specified authorities. The specified authorities against which compliance was examined are [identify the specified authorities].

- 21 When the auditor determines that it is necessary to modify the opinion when reporting in accordance with this Guideline, in addition to the specific elements set out in paragraph 13, the auditor includes a paragraph in the auditor's report on compliance that provides a description of the matter(s) causing the modification. This paragraph is placed immediately after the opinion paragraph in the auditor's report on compliance and uses the heading "Basis for Qualified Opinion," "Basis for Adverse Opinion" or "Basis for Disclaimer of Opinion," as appropriate.
- 22 In describing the basis for modification, the auditor specifies the authorities not complied with and describes the non-compliance matter(s).

APPENDIX

ILLUSTRATION OF AUDITOR'S REPORT ON COMPLIANCE WITH SPECIFIED AUTHORITIES

This example is provided to illustrate the form of the auditor's report when the auditor is expressing an opinion on whether the transactions that have come to the auditor's notice during an audit of financial statements complied with specified authorities. The auditor has determined the specified authorities for which compliance will be assessed. The specified authorities include requirements that are subject to significant interpretation. The auditor has chosen not to describe the significant interpretations made in the body of the auditor's report. The auditor is able to obtain sufficient appropriate evidence to provide an audit opinion on compliance for the transactions noted, with no instances of non-compliance. The auditor considers appropriate amendments to take into account the circumstances of each engagement.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Report on the Audit of the Financial Statements¹

[Auditor's report on the financial statements of ABC Government Entity]

Report on Compliance with Specified Authorities²

In conjunction with the audit of the financial statements, we have audited transactions of ABC Government Entity coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are [identify the specified authorities].

In our opinion, the transactions of ABC Government Entity that came to our notice during the audit of the financial statements have complied, in all material respects, with [identify the specified authorities].

Management is responsible for ABC Government Entity's compliance with the specified authorities named above and for such internal control as management determines necessary to enable the entity to comply with the specified authorities.

The specified authorities include requirements that are subject to significant interpretation. Our interpretation may differ from other interpretations.

[Signature in the name of the firm, the personal name of the auditor, or both, as appropriate for the particular jurisdiction]

[Auditor address]

[Date]

¹ The subtitle "Report on the Audit of the Financial Statements" is required when the second subtitle "Report on Other Legal and Regulatory Requirements" or otherwise as appropriate to the content of the section is applicable.

² CAS 700, paragraph 43, requires a subtitle for the other reporting responsibility. This subtitle or another appropriate subtitle based on the content of the section can be used.

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