

assurance and related services guideline

AuG-50

conducting a performance audit in the public sector in accordance with CSAE 3001

Basis for Conclusions

[CSQM 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements \(May 2022\)](#)

[AuG-50, Conducting a Performance Audit in the Public Sector in Accordance with CSAE 3001 \(August 2020\)](#)

This Guideline is to be read in conjunction with the [Preface to the CPA Canada Handbook – Assurance](#).

August 2020

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SCOPE

1. This Guideline provides guidance on planning, conducting and reporting on a performance audit in the public sector in accordance with Canadian Standard on Assurance Engagements ([CSAE\) 3001, Direct Engagements](#)). While this Guideline contemplates a reasonable assurance engagement, it may also be applied to limited assurance engagements, adapted as necessary.

2. The focus of a performance audit may be on an activity, a process or a program within an individual entity or spanning multiple entities, or the performance audit may be of an entity overall. The practitioner's report may be publicly available, for example, through tabling in a legislature or with a municipal council, or through some other means of distribution. Alternatively, it may be intended for restricted use by the entity or by specified third parties.

RELATIONSHIP WITH CSAE 3001

3. When conducting a performance audit within the scope of this Guideline, the practitioner is required to comply with [CSEA 3001](#). This Guideline supplements, but does not replace, CSAE 3001. It provides guidance on how CSAE 3001 applies to a performance audit conducted in the public sector.
4. [CSEA 3001](#) is applicable to all performance audits that fall within the scope of this Guideline, and provides requirements and application material for topics not specifically addressed in this Guideline, including:
 - (a) Ethical requirements;
 - (b) Quality management;
 - (c) Professional skepticism, professional judgment, and assurance skills and techniques;
 - (d) Other information;
 - (e) Unmodified and modified conclusions;
 - (f) Other communication responsibilities; and
 - (g) Documentation.

[Former paragraph 4 of AuG-50 retained in Archived Pronouncements.]

DEFINITIONS

5. For purposes of this Guideline, the following terms have the meanings attributed below:
 - (a) Audit topic – A general description of the focus of the performance audit, which may be refined further in determining the underlying subject matter.
 - (b) Firm – In a performance audit conducted by a legislative audit office, "firm" should be read as referring to its public sector equivalents where relevant 1 such as federal, provincial or municipal legislative audit offices.
 - (c) Performance audit – A type of direct engagement, conducted in accordance with assurance standards, in which the practitioner evaluates whether public sector entities are delivering programs or carrying out activities and processes with due regard to one or more of the principles of economy, efficiency and effectiveness. Performance audits may also focus on the principle of environment and sustainable development. Economy involves getting the right inputs, such as goods, services and human resources, at the lowest cost. Efficiency involves getting the most from available resources, in terms of quantity, quality and timing of outputs or outcomes. Effectiveness involves meeting the objectives set and achieving the intended results. Environment and sustainable development encompass sustainable development strategies or management of sustainable development and environmental issues.
 - (d) Public sector auditor – A practitioner who derives authority and mandate to conduct audits through law or regulation, as well as those employed to assist the practitioner in carrying out the functions required under legislation. Other practitioners engaged by government or a government-controlled or -owned entity to conduct a performance audit are not public sector auditors.
6. In this Guideline, the term "practitioner" is used when the guidance applies to all performance audits conducted in the public sector. However, the term "public sector auditor" is used when the guidance relates to practitioners who derive their authority and mandate through law or regulation.

SELECTION OF THE AUDIT TOPIC

7. [CSEA 3001](#) 2 states that the public sector auditor usually decides on what the nature and scope of the underlying subject matter to be reported on will be. In some cases, the public sector auditor may be directed to undertake a performance audit, such as a legislated special examination of a federal Crown corporation, or a performance audit undertaken at the request of a legislature, a committee of the legislature or a municipal council. Where the decision is made by the public sector auditor, the nature and scope of the underlying subject matter to be reported on is made pursuant to the mandate of the public sector auditor, as set out in law or regulation, and is based on understanding the entity's activities and the risks it faces.

Understanding the entity

8. The public sector auditor may obtain an understanding of the entity's activities and the risks it faces by reviewing relevant documents (e.g., legislation, *Hansard* 3 , strategic plans, business plans, meeting minutes, risk assessments, internal audit reports, management reports, sector publications, research studies, other assurance engagements, media reports) and stakeholder feedback, through observation and by interviewing key individuals (e.g., entity management and staff, internal auditors and stakeholders). The public sector auditor may assess the importance of, and risks associated with, the entity's activities by considering factors such as:

- (a) Economic, social, and environmental impact – Programs, activities, or processes affecting a large segment of the population or vulnerable populations, or which impact environmental sustainability, may be considered to be more important to the entity.
- (b) Relevance to stakeholders – The interest shown by the legislature or other governing bodies, by management of the entity or by the public may indicate the importance of the activity to stakeholders.
- (c) Diversity, consistency and clarity of the entity's objectives and goals – Diverse or inconsistent objectives increase the risk that the entity's activities or programs are not operating with due regard to one or more of the principles of economy, efficiency, effectiveness and environment and sustainable development. Entity objectives and goals that are not clearly defined may increase the risk that they will not be achieved because they are not understood by employees.
- (d) Complexity of operations – An increase in the complexity of an entity's operations, through increased variety and type of programs, functions and activities may increase the risk that the entity does not achieve its objectives and goals or that they are not achieved efficiently, economically or with due regard to the environment or sustainability.
- (e) Complexity and quality of management information and control systems – Complex systems may be more difficult to develop, enhance and maintain. When adequate management information systems are not maintained, proper control may not be exercised.
- (f) Impact of environmental or organizational change – Changes in an entity's environment or organization can impact the continuity of operations and the understanding of priorities and processes by employees. This may increase the risk that the entity's goals and objectives will not be achieved. Environmental changes include new government priorities, significant budget amendments and changes to enabling legislation. Organizational changes include changes in leadership, reorganization, new initiatives and staff turnover.
- (g) Financial magnitude and nature of transactions – Large dollar amounts, high transaction volumes and transaction complexity and flow may create increased risks to the entity.
- (h) Management response to previously identified deficiencies – Areas where management has not made adequate improvements to address important issues raised in prior performance audits or other studies may be more important and higher risk.
- (i) Organizational structure – Centralization and decentralization of key activities such as budgeting, payroll, disbursements, human resources management and facilities management each create their own operational risks. Similarly, program delivery through agents carries different risks than those associated with direct program delivery.
- (j) Program delivery method – Programs in the public sector may be delivered by policy instruments such as expenditure, regulation and revenue-raising; may provide goods or services directly or may redistribute income; and may be delivered directly or by using agents. The amount of associated risk may vary depending on the delivery method.

[Appendix 1](#) provides additional guidance for practitioners to gain an understanding of the entity and the risks it faces.

9. The public sector auditor may select audit topics that are important to the achievement of organizational or governmental goals for which the risk is assessed to be high. Areas that are important, but where the risk is assessed to be low, might also be selected because even if the risk is low, any deviation could be important to the entity or to its stakeholders.
10. [CSAE 3001](#) does not include requirements relating to the selection of the audit topic. After the audit topic has been selected, the public sector auditor follows CSAE 3001 and this Guideline, as appropriate.

ACCEPTANCE AND CONTINUANCE

11. Paragraph 29 of CSAE 3001 requires the practitioner to agree the terms of the engagement with the engaging party. Generally, in performance audits conducted by public sector auditors, there is no engaging party as envisaged by [CSAE 3001](#).⁴ The public sector auditor is empowered by legislative authority and mandate to select and conduct the performance audit, rather than being engaged. In these circumstances, an alternative procedure to meet the aim of the requirement in paragraph 29 of CSAE 3001 is to seek acknowledgment that the responsible party understands the terms of the performance audit. Seeking such acknowledgment may help to avoid misunderstandings.
12. The public sector auditor may seek this acknowledgment at the time the entity is informed of the performance audit, or when the performance audit planning is complete. The terms of the performance audit may be communicated through correspondence, a summary performance audit plan or other means. The best means for communicating the terms of the performance audit may differ based on the specific circumstances. The public sector auditor may also seek acknowledgment of:
 - Responsibility for the underlying subject matter;
 - Understanding of the objective(s); and
 - Suitability of the applicable criteria.

The acknowledgment may be sought at the same time the terms of the performance audit are communicated or at another time.

13. In some circumstances, the public sector auditor may modify the objective(s) of the performance audit or the applicable criteria subsequent to seeking the acknowledgment referred to in paragraph [11](#) from the responsible party. For example, the public sector auditor may modify:
 - The objective(s) of the performance audit, where additional risks or other changes to the risks have been identified;
 - The scope of the performance audit, as a result of a change in legislation, a change in the responsible party, or a change in the focus of the performance audit by the public sector auditor; or
 - The applicable criteria, based on the public sector auditor's knowledge of the underlying subject matter.
14. When the public sector auditor modifies the objectives of the performance audit or the applicable criteria in accordance with paragraph [13](#), the public sector auditor may consider it necessary to seek acknowledgment of the change from the responsible party to avoid misunderstandings.
15. Paragraph [A37](#) of CSAE 3001 states that all assurance engagements have at least three parties: the responsible party, the practitioner and the intended users. In a performance audit in the public sector, there may be multiple entities responsible for the underlying subject matter. For example, government programs may require the coordination of, and contribution by, more than one department, ministry or agency. Obtaining sufficient understanding of the responsible parties and their interrelationships enables the practitioner to appropriately scope, plan and conduct the performance audit.

Preconditions for conducting a performance audit

16. Paragraph [26](#) of CSAE 3001 establishes the preconditions for a direct engagement. In a performance audit conducted in the public sector, there may be situations when the preconditions are not present. For example, during the early planning of the audit, the public sector auditor may determine that there are no suitable criteria for the engagement circumstances. In these situations, options the public sector auditor may consider include:
 - (a) Redefining the terms of the performance audit to meet the preconditions (for example, by refining the audit topic such that suitable criteria can be identified); or
 - (b) Complying with paragraph [27](#) of CSAE 3001 if changes cannot be made to meet the preconditions.
17. Paragraph [26\(a\)](#) of CSAE 3001 requires the practitioner to determine whether the roles and responsibilities of the appropriate parties are suitable in the circumstances. The roles and responsibilities of government entities scoped into the performance audit may be assumed to be appropriate because they are generally set out in legislation.⁵ However, even though they are assumed to be appropriate, there may be a lack of clarity with respect to roles and responsibilities, such as overlapping roles and shared responsibilities. When there is a lack of clarity, public sector auditors may consider the impact on planning, conducting and reporting the performance audit.
18. Paragraph [26\(b\)](#) of CSAE 3001 requires the practitioner, on the basis of a preliminary knowledge of the engagement circumstances and discussions with the appropriate party(ies), to determine whether the underlying subject matter is appropriate, and whether the criteria that the practitioner expects to be applied are suitable for the engagement circumstances. The preliminary knowledge of the engagement circumstances also informs the audit objective(s) and scope, identifying and assessing the suitability of criteria, and determining whether the practitioner expects to be able to obtain the evidence needed to support the practitioner's conclusion.

PLANNING AND PERFORMING THE PERFORMANCE AUDIT

Planning

19. In planning the performance audit, the public sector auditor may begin by articulating a general description of the focus for the performance audit (referred to as the audit topic in this Guideline) based on an understanding of the entity.⁶
20. The public sector auditor may obtain this understanding of the entity by reviewing relevant documents, through observation and by interviewing key individuals. Based on the public sector auditor's consideration of matters of importance and risk to the entity, the public sector auditor may refine the audit topic to determine the underlying subject matter.
21. In the public sector, the underlying subject matter in a performance audit may be the activity, process or program within an individual entity or one which spans multiple entities, or the performance audit may be for an entity overall. The underlying subject matter is measured directly against applicable criteria during a defined period or at a point in time.
22. As explained in paragraph [A87](#) of CSAE 3001, planning is not a discrete phase, but rather a continual and iterative process throughout the engagement. Consideration of matters of importance and risks at the entity level, determination of the underlying subject matter, development of the objective(s), identification of suitable criteria and identification and assessment of internal control relevant to the underlying subject matter are parts of the iterative process. [Appendix 2](#) provides one illustration of how the identification and assessment of risks continues throughout the planning of a performance audit and informs the practitioner's determination of the objective(s) and scope, the identification and selection of suitable criteria and the selection of procedures.
23. [Appendix 3](#) provides examples that demonstrate the alignment of the audit topic, underlying subject matter, objective(s), suitable criteria, findings and conclusion(s).

Identifying suitable criteria

24. In scoping the performance audit, the objective(s) specifies the principle(s) that will be evaluated (i.e., economy, efficiency, effectiveness or environment and sustainable development) in relation to the underlying subject matter. As required by paragraph [26\(b\)\(ii\)](#) of CSAE 3001, the practitioner determines whether the criteria that the practitioner expects to be applied are suitable for the engagement circumstances. Paragraph [A46](#) of CSAE 3001 notes that criteria can be selected or developed in a variety of ways.
25. The practitioner may refer to many different sources when selecting or developing suitable criteria, including:
 - Laws and regulations governing the operations of the entity;
 - Government and board policies;
 - Good practices of the sector;
 - Decisions made by the legislature or the executive branch of government;
 - Key performance indicators used by the entity or the government;
 - Standards developed through research or used by professional and/or international organizations;
 - Benchmarks of good performance for comparative entities;
 - Planning documents, contracts and budgets from the entity;
 - Criteria used in similar performance audits; and
 - Consultation with subject matter experts.
26. If suitable criteria do not exist, or cannot be developed, or for any other reason the practitioner would be unable to conclude on the objective(s), the practitioner may further refine the underlying subject matter or objective(s) to ensure the practitioner can evaluate performance and conclude on the objective(s). The practitioner may consider conducting additional research on the underlying subject matter to allow the practitioner to develop suitable criteria.

Obtaining an understanding of internal control relevant to the performance audit

27. Paragraph [51R](#) of CSAE 3001 requires the practitioner to obtain an understanding of the underlying subject matter and other engagement circumstances sufficient to enable the practitioner to identify and assess the risks of significant deviation in the underlying subject matter. Paragraph [52R](#) of CSAE 3001 requires the practitioner to obtain an understanding of internal control relevant to the engagement. In a performance audit, this includes evaluating the design of those controls pertinent to the objective of the engagement and, if relevant, determining whether they have been implemented. Identifying and assessing risk of significant deviation and developing an understanding of relevant internal controls enables the practitioner to determine the scope of the performance audit, refine the objective(s), finalize the development of suitable criteria and design procedures to obtain sufficient and appropriate evidence to support a conclusion on the objective(s).
28. A relevant internal control is one designed to mitigate the risks of significant deviation in the underlying subject matter. Professional judgment is essential in identifying internal controls relevant to the performance audit and determining the extent of audit work required. When the objective(s) of the performance audit is to conclude on a specific outcome of a program or process, examination of internal control at either the entity or underlying subject matter levels may not be relevant.
29. In a performance audit, relevant internal control generally encompasses controls beyond those related to financial reporting. They may include internal controls related to the governance, management and performance of the underlying subject matter.
30. The practitioner may develop an understanding of the entity's control environment by gathering and analyzing information about the entity's:
 - Governance, and the independence of those charged with governance (i.e., the structures, reporting lines, authorities and responsibilities established in pursuit of its objectives);
 - Commitment to integrity and ethical values;
 - Oversight of its system of internal control;
 - Service delivery model;
 - Management of risk;
 - Commitment and ability to attract, develop and retain competent individuals in alignment with its objectives; and
 - Governance and management of its information and related technology.
31. Internal control relevant to the underlying subject matter may include internal controls that have a pervasive effect on other aspects of an entity's operations. These controls are sometimes referred to as entity-level controls. The governance and management of enterprise risk, information and related technology, and human resources are examples of such controls. However, the relevance of these controls to an underlying subject matter is dependent on the objective of the performance audit. For example, when the underlying subject matter is a public sector entity's grants process and the objective of the audit is the efficiency of the process, internal control over human resources management may not be relevant to the engagement. Whereas internal control related to the entity's information and related technology may be relevant to such an audit if the practitioner is relying on information generated by the entity's grants payment system.

32. In other situations, internal control relevant to the engagement may be limited to controls designed to mitigate the risk of significant deviation from the applicable criteria, such as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties. For example, a control to ensure that education credentials align with job requirements for all new employees may be relevant when conducting a performance audit of the effectiveness of hiring processes.
33. When the objective of the performance audit is to assess the design or implementation of internal control over a process, the internal control becomes the underlying subject matter. The practitioner's expectations for the effective design and, if relevant, implementation of the internal controls become the applicable criteria. The practitioner may assess the effective design and, if relevant, implementation of these internal controls outside of the planning process, for example, during the examination phase.

OBTAINING EVIDENCE

Use of experts

34. [CSAE 3001](#) 7 includes requirements and application material dealing with using the work of a practitioner's expert. A practitioner's expert has specialized skills and knowledge, beyond those possessed by the engagement team, related to the underlying subject matter. Specialized skills and knowledge may be sector- or industry-specific, or pertain to disciplines such as human resource management, procurement, information technology, actuarial science, or data science.
35. The practitioner may use a practitioner's expert in a variety of ways, such as by:
 - Creating advisory panels to provide input on conducting the performance audit, including commenting on the framing of the objective(s), suitability of criteria, or the draft report;
 - Seeking input on relevant research materials and best practices related to the underlying subject matter;
 - Confirming the practitioner's understanding of the key risks;
 - Obtaining advice in determining which aspects of the underlying subject matter are most important;
 - Obtaining reports on specific aspects of the performance audit, such as valuations;
 - Obtaining input on the analysis and interpretation of key findings; or
 - Undertaking assurance work.
36. Paragraph [57](#) of CSAE 3001 establishes requirements when using the work of a practitioner's expert. The practitioner may choose to obtain information from an expert who does not meet the definition of a practitioner's expert, such as a research foundation or a published academic. It may be helpful to apply the requirements in paragraph 57 of CSAE 3001 when using the information in these circumstances.

Work performed by another practitioner, a responsible party's expert, or an internal auditor

37. Paragraphs [58](#) and [59](#) of CSAE 3001 establish requirements for determining whether the work of another practitioner or a responsible party's expert is adequate for the purposes of the practitioner.
38. Another practitioner means a practitioner who is not part of the engagement team, but who has conducted assurance work that is used by the engagement team. For example, a grant recipient, who received a grant from the responsible party, may engage an accounting firm to audit how the grant funds have been spent, and the results of this audit are used by the engagement team in the performance audit.
39. A responsible party's expert is employed or engaged by the responsible party to conduct work on its behalf. The practitioner may use information prepared by a responsible party's expert as evidence, for example, a technical engineering report prepared for the responsible party.
40. When assessing whether the work of another practitioner or the responsible party's expert is adequate for the purposes of the engagement, the practitioner may consider factors such as:
 - The objective of the work;
 - The relevance of the work to the subject matter or criteria of the performance audit; and
 - The reputation and expertise of the other practitioner or responsible party's expert.
41. Paragraph [60](#) of CSAE 3001 establishes requirements when the practitioner plans to use the work of the internal audit function, including evaluating the organizational status and competence of the internal audit function.
42. To meet the requirement in paragraph [60\(a\)](#) of CSAE 3001 to evaluate whether the internal audit function's organizational status and relevant policies and procedures support the objectivity of the internal auditors, the practitioner may consider:
 - The results of internal and external assessments on the conformance with relevant professional practice standards of the internal auditing function;
 - The internal audit function's responsibilities, its reporting relationship, the extent of its independence from the influence of operational management and whether internal auditors have direct access to those charged with governance;
 - The activities performed, or to be performed, by the internal audit function;

- If the internal auditors are free from any conflicting responsibilities; and
 - If the internal auditors employed by the internal audit function are members of relevant professional bodies which require members to comply with relevant professional standards relating to objectivity.
43. To meet the requirement in paragraph [60\(b\)](#) of CSAE 3001 to evaluate the level of competence of the internal audit function, the practitioner may consider:
- If the internal auditors are members of relevant professional bodies;
 - If the internal auditors have received adequate technical training and proficiency as internal auditors; and
 - If the internal audit function has established policies for hiring and training internal auditors.
44. To meet the requirement in paragraph [60\(c\)](#) of CSAE 3001 to evaluate whether the internal audit function applies a systematic and disciplined approach, including quality control, the practitioner may consider whether:
- The internal audit function has an audit manual or other similar documents, work programs and internal audit documentation that are adequate and conform to professional standards and practices; and
 - The activities of internal audit function are properly planned, resourced, supervised, reviewed and documented.
45. To meet the requirement in paragraph [60\(d\)](#) of CSAE 3001 to evaluate whether the work of internal audit function is adequate for the purposes of the engagement, the practitioner may consider whether:
- The methodology followed by the internal auditor demonstrates compliance with recognized professional standards; and
 - The findings of the internal auditor are supported by sufficient appropriate evidence.
- Quoting information from external sources**
46. A practitioner may choose to quote, in the assurance report, information from an external source that was not prepared by the practitioner's expert, the responsible party's expert or the internal audit function. This information may be quoted to set the context related to the performance audit, or to support a finding or recommendation in the assurance report. In such cases, it is important that such information be credible.
47. Factors the practitioner may consider in assessing the credibility of information from an external source include:
- The nature and authority of the external source, for example, a central bank or government statistics office with a legislative mandate to provide information to the public.
 - Whether the entity has the ability to influence the information obtained from the external source.
 - Evidence of general market acceptance by users of the relevance and/or reliability of information.
 - The nature and extent of disclaimers or other restrictive language relating to the information obtained.
48. In some cases, the practitioner may use the information as evidence to support a finding or recommendation. In such cases, the practitioner may perform additional procedures to assess the reliability and relevance of the information. As required by paragraph [55](#) of CSAE 3001, the practitioner may consider procedures such as:
- Confirming the information has been peer reviewed.
 - Performing a comparison of the information with information from an alternative independent external source.
- SUBSEQUENT EVENTS**
49. Paragraph [66](#) of CSAE 3001 requires the practitioner to consider the effect of subsequent events on the underlying subject matter and on the assurance report, when relevant to the engagement. In a performance audit, whether subsequent events are relevant to the engagement depends on the circumstances. Paragraph [A141](#) of CSAE 3001 provides an example of when consideration of subsequent events may not be relevant because of the nature of the underlying subject matter.
50. Examples of subsequent events include:
- A new or a change in policy direction;
 - A change in legislation;
 - Cancellation of a program;
 - A change in the program agreement;
 - Outsourcing or in-sourcing of a program or service;
 - A change in the responsible party's organizational structure or its roles and responsibilities;
 - Identification of fraud or system failure; or
 - A change in program delivery.
51. Procedures to identify subsequent events may include:
- Inquiring of management and those charged with governance as to whether any subsequent events have occurred which might impact the report.
 - Obtaining an understanding of any management processes established to ensure that subsequent events are identified.

- Reviewing minutes, if any, of the meetings of management and those charged with governance, that were held up to or after the date of the report and inquiring about matters discussed at any such meetings for which minutes are not yet available.
 - Reviewing performance measurement reports, if any, prepared up to or after the date of the assurance report.
 - Reviewing government media releases and *Hansard* to identify any events that may impact the assurance report.
52. Paragraph [66](#) of CSAE 3001 requires the practitioner to consider, when relevant to the engagement, the effect on the underlying subject matter and on the assurance report of events up to the date of the assurance report. It also requires the practitioner to respond appropriately to facts that become known to the practitioner after the date of the assurance report that, had they been known to the practitioner at that date, may have caused the practitioner to amend the assurance report.
53. In the public sector, the date of the assurance report for purposes of [CSAE 3001](#) and the issue or publication date may not be the same. In such cases, it is important that the practitioner distinguish between the two dates in:
- Considering whether procedures are required with respect to events occurring after the date of the assurance report in accordance with paragraph [66](#) of CSAE 3001; and
 - Determining the appropriate response to facts that become known after the date of the assurance report in accordance with paragraph [A142](#) of CSAE 3001.
54. Paragraph [A142](#) of CSAE 3001 notes that, when facts become known to the practitioner after the date of the assurance report that, had they been known at the date of the assurance report, may have caused the practitioner to amend the report, the practitioner may need to discuss the matter with the appropriate party or take other action as appropriate in the circumstances. Such other action may include:
- Determining if there is a significant impact of the subsequent event on the underlying subject matter.
 - Considering whether an amendment to the assurance report is needed.
 - Determining the nature, timing and extent of additional audit procedures and performing them, as necessary.
55. If the practitioner determines that the practitioner's report needs to be amended, and the report has not been issued or published, the practitioner may:
- (a) Clarify that the effect of the event or fact on the underlying subject matter has been considered and there was no impact on the assurance conclusion; or
 - (b) When the effect of the event or fact on the underlying subject matter or potential impact on the assurance conclusion is significant, revise the assurance conclusion and change the date of the assurance report to the later date or disclose the impact of the subsequent event and include an additional date restricted to that amendment (dual date the report).
56. If the practitioner determines that the practitioner's report needs to be amended and the assurance report has already been issued or published, the practitioner may consider whether to:
- (a) Issue a statement or addendum to the report that highlights the event or fact and communicate its impact on the assurance conclusion; or
 - (b) Take other action(s) as appropriate, such as issuing a press release to make users aware of the subsequent event or fact and its impact on the assurance conclusion.

FORMING THE ASSURANCE CONCLUSION

57. Forming the assurance conclusion in a performance audit requires significant professional judgment. A decision tree, such as the one presented in [Appendix 4](#), may assist the practitioner in concluding on the performance audit objective(s). This appendix shows how the conclusion links back to the performance audit objective(s).

PREPARING THE ASSURANCE REPORT

58. Paragraph [73](#) of CSAE 3001 sets out the basic elements that are required to be included in the practitioner's report. Paragraph [A160](#) of CSAE 3001 states that assurance reports are tailored to the specific engagement circumstances. The practitioner may use headings, paragraph numbers, typographical devices (for example, the bolding of text), and other mechanisms to enhance the clarity and readability of the assurance report. Paragraph [A181](#) of CSAE 3001 states that inclusion of a heading above paragraphs containing modified conclusions, and the matter(s) giving rise to the modification, aids the understandability of the practitioner's report. While the practitioner may choose to do so, it is not necessary to include headings, such as "unmodified", "qualified" or "adverse", above paragraphs containing the assurance conclusion.
59. When expressing a qualified or adverse conclusion, the practitioner may choose to highlight some criteria that were met. As required by paragraph [72](#) of CSAE 3001, the wording the practitioner uses to communicate the criteria that were met is phrased in a manner that is not detracting from the practitioner's conclusion. Professional judgment is applied in communicating these matters based on the information needs of the intended users.
60. Paragraph [A161](#) of CSAE 3001 states that a long-form assurance report may, in some cases, include recommendations. The practitioner's recommendations highlight areas in which positive change can be made. However, planning and implementing changes to address the recommendations are the responsibility of management.

61. Paragraph [73\(n\)](#) of CSAE 3001 requires the assurance report to be dated no earlier than the date on which the practitioner has obtained the evidence on which the practitioner's conclusion is based including receipt of the written representations from management. In determining the date of the assurance report, the practitioner usually considers the timing of the following activities:
- Review of documentation by the engagement partner;
 - Completion of the engagement quality control review; and
 - Resolution of any differences of opinion within the engagement team, with those consulted, and between the engagement partner and the engagement quality control reviewer, where such review is performed in accordance with Canadian Standard on Quality Control ([CSQC\) 1](#), *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements*.

APPENDIX 1

OBTAINING AN UNDERSTANDING OF THE ENTITY AND ITS ENVIRONMENT

The practitioner may consider the following matters when obtaining an understanding of an entity and its environment, as discussed in paragraph [8](#). Not all matters are relevant to every performance audit and the list of matters is not necessarily complete.

Nature of the entity

1. The nature of the entity may be defined in terms of the following interrelated elements:
 - Its governing authorities;
 - Its legal structures; and
 - Its objectives.
2. Information about the nature of the entity may assist the practitioner in understanding:
 - The authority for the entity's programs, operations and activities;
 - Any specific financial, administrative and operational powers and responsibilities granted by governing authorities;
 - The basis for its accountability relationships and performance goals; and
 - Significant external constraints on the entity's operations.

Accountability relationships

3. Accountability relationships in the public sector have constitutional, political, legal and administrative components. Accountability relationships include the relationship between an elected or appointed governing body and the management of the entity. The governing body may be a legislature, a municipal council or a board of directors. The governing body delegates to management the authority and responsibility for acquiring and using the entity's resources. Management is responsible for administering those resources and is accountable to the governing body.
4. Local governments are accountable to both the provincial government, through a minister, and to the electorate. Within a local government, accountability relationships of organizations vary. Organizations in a local government are subject to governing authorities of both their provincial and local governments.
5. Information about an entity's accountability relationships may assist the practitioner in understanding:
 - The elements of performance for which the entity is responsible;
 - The resources the entity uses to meet its objectives; and
 - Whether multiple entities have responsibility for different aspects of performance.

Programs, operations and activities

6. Understanding the entity's significant programs, operations and activities include obtaining information about:
 - The intended outputs, such as goods or services;
 - The outcomes and impacts of the programs, operations and activities, which may be positive or negative effects of a program, operation or activity, and they may be intentional or unintentional;
 - The organizational structure, including identifying the divisions and branches, determining their responsibilities and degree of autonomy;
 - The source, nature and amount of resources used in program delivery;
 - The method of program delivery; and
 - The pricing or fee structures.
7. Information about the entity's significant programs, operations and activities may assist the practitioner in understanding:
 - Whether the entity is operating within its powers; and
 - How the programs, operations and activities are contributing to the entity's objectives and performance goals.

Performance

8. Performance involves factors such as:

- Outputs, outcomes and impacts relative to objectives, goals and inputs;
 - Quality;
 - Level of service; and
 - Stakeholder satisfaction (e.g., its beneficiaries or customers, resource providers, competitors, policy centres and special interest groups).
9. Information about the entity's performance may assist the practitioner in understanding:
- The relevance of the entity's activities to its stakeholders;
 - Trade-offs among conflicting objectives; and
 - Whether programs are structured to achieve one or more of the principles of economy, efficiency, effectiveness and environment and sustainable development.
10. The practitioner may consider the entity's actual performance relative to its objectives and goals. Information about the entity's performance may help the practitioner identify areas of the entity that need to be examined, as well as those that may not warrant as much attention. For example, areas where performance goals are being met may not warrant as much attention as those areas that are clearly not meeting performance goals, taking into account the practitioner's assessment of importance and risk.

Resources

11. Organizations use physical, financial, natural and human resources to achieve their objectives and performance goals. Physical resources include inventories, and capital assets such as lands, buildings, equipment, technology and infrastructure. An organization's financial resources are reflected in the entity's various revenue and expenditures and its financial assets and liabilities. Natural resources include renewable and non-renewable resources. Human resources include management and other employees of the entity.
12. Information about the entity's resources may assist the practitioner in understanding:
- How resources relate to the entity's objectives;
 - The allocation of resources to programs, operations and activities;
 - How government priorities inform the allocation of resources to the entity and the relative significance of specific programs, operations and activities;
 - The relationship between resources and the organizational structure; and
 - The relationship between resources and entity performance.

Systems, processes and controls

13. Management is responsible for establishing systems, processes and controls to plan, control, monitor and report on its performance. The systems, processes and controls that the practitioner may consider include:
- The systems and controls in place for controlling, monitoring and reporting on significant programs, operations and activities;
 - The systems and controls in place for planning, reporting on, and safeguarding and controlling the entity's physical, financial, natural and human resources;
 - The systems and controls in place to facilitate the entity's compliance with governing authorities; and
 - The existence, mandate and work of an internal audit function.
14. Information about the entity's systems, processes and controls may assist the practitioner in understanding:
- Risks to programs, operations and activities that the entity has identified;
 - Elements of performance that management is assessing;
 - The entity's performance criteria;
 - The methods of data collection and analysis;
 - How the entity uses performance information; and
 - The nature and frequency of reporting.

External environment

15. External factors that affect the entity's environment may be economic, financial, technological, political, environmental or social. The practitioner may obtain information about constraints imposed by governing bodies or constituents (e.g., beneficiaries, customers, resource providers, competitors, special interest groups), such as:
- Budget reductions;
 - Budget amendments;
 - Cost-recovery requirements;
 - Revenue targets;
 - Changes to legislation, contracts or agreements;
 - Operating or availability constraints;

- Safety, service-level or pricing constraints; and
- Changes in reporting relationships.

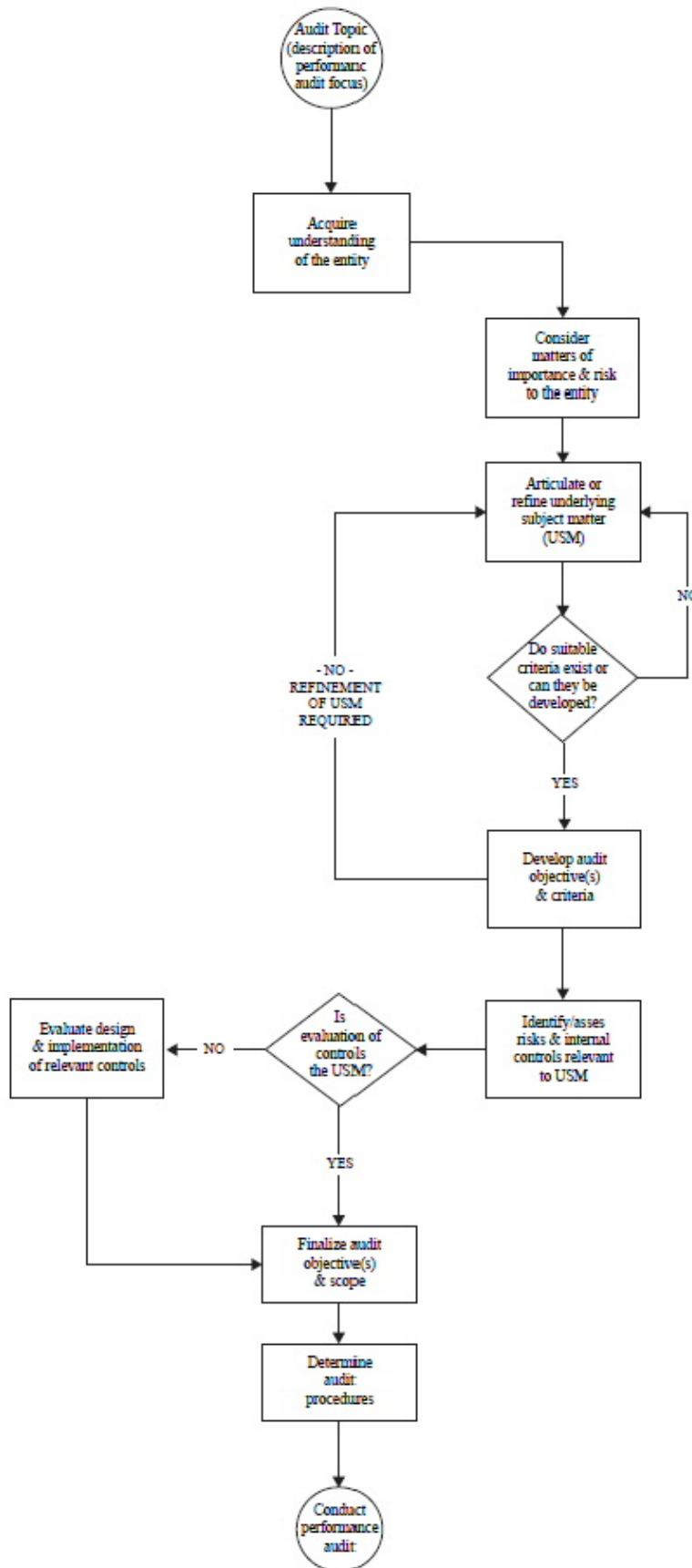
16. Changes in the external environment may affect the entity's:

- Objectives;
- Accountability relationships;
- Performance;
- Programs, operations and activities;
- Resources; or
- Systems, processes and controls.

APPENDIX 2

PLANNING A PERFORMANCE AUDIT

Planning a performance audit is an iterative process. The following diagram illustrates one possible sequence of steps that may occur in the planning process.



APPENDIX 3

EXAMPLES OF PERFORMANCE AUDITS

The following examples demonstrate the alignment between the audit topic, underlying subject matter, objective(s), criteria, findings and conclusion(s) in a performance audit. These examples have been simplified to show this alignment.

Example 1:Real estate

Performance audit topic	Management of government infrastructure
Underlying subject matter	Lifecycle management of government real estate
Objective	To determine whether the buildings program managed government buildings effectively over their useful life.
Criteria	<ul style="list-style-type: none">•A building inventory containing information essential for decision making is maintained.•Building use is in accordance with building codes.•Occupancy targets are met.•Properties are maintained to optimize-useful life.•Disposals are managed in accordance with government policies and operational needs.•There is appropriate oversight of the buildings program.
Findings	<ul style="list-style-type: none">•The government maintains an accurate and comprehensive inventory of its buildings.•Building use is appropriate.•Occupancy targets are met consistently.•Property maintenance occurs as required.•Disposals are managed in accordance with government policies and take into account operational needs.•There is appropriate oversight of the buildings program; oversight bodies receive regular reports on performance, review recommendations for changes to the program, and provide direction.
Conclusion	Government buildings are managed effectively over their useful life through the buildings program.

Example 2:Climate change

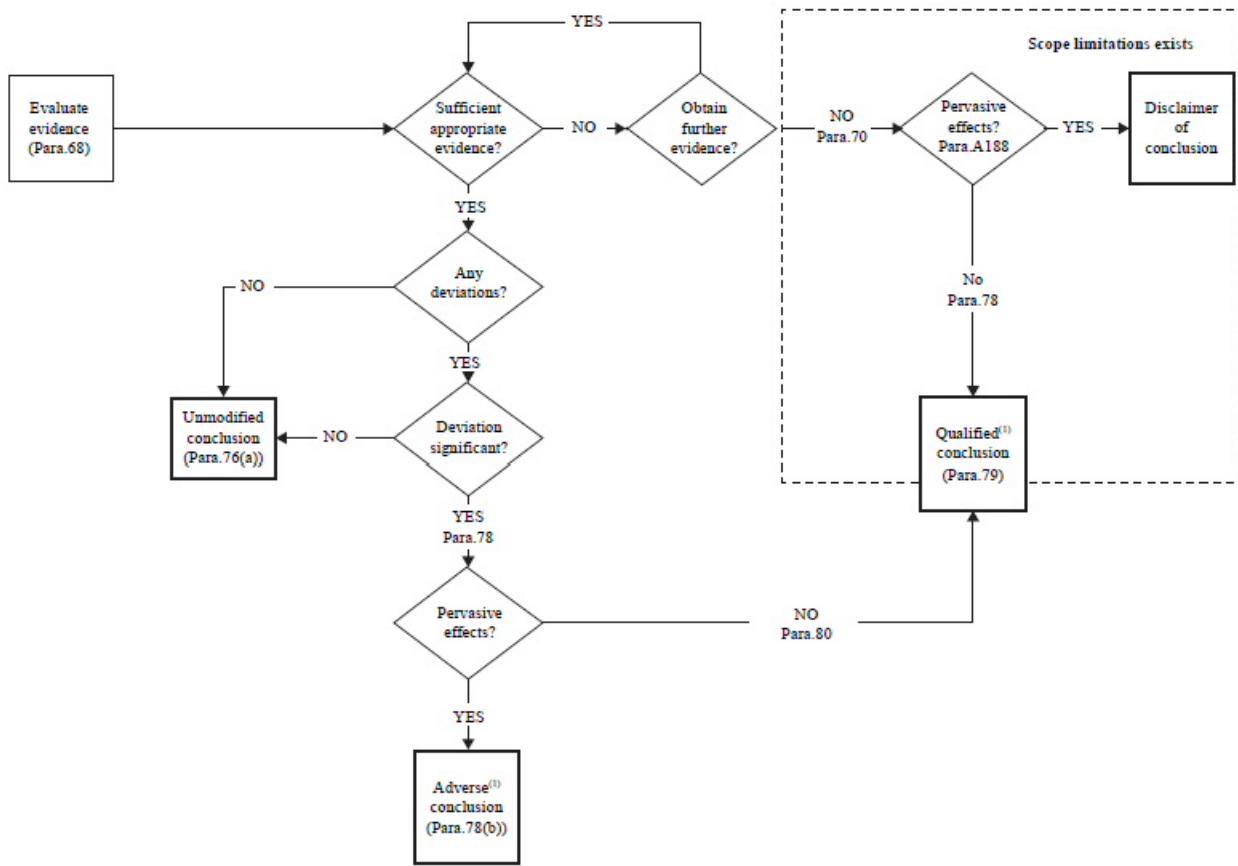
Performance audit topic	Climate Change
Underlying subject matter	Government strategy to reduce greenhouse gas emissions and implement actions to adapt to the effects of climate change
Objectives	To determine whether the Ministry of Environment has:
Criteria	<ol style="list-style-type: none">1.Detailed action plans and targets to reduce greenhouse gas emissions, is on track to meet those targets, and is monitoring and reporting on its progress; and2.An adaptation framework based on a risk assessment, monitors progress against the framework and reports on its progress.
	Objective 1 – Greenhouse Gas Reduction
	<ul style="list-style-type: none">•Ministry has a detailed action plan.•Ministry is monitoring actions to reduce greenhouse gas emissions.•Ministry is reporting publicly on its progress.
	Objective 2 – Adaptation Framework
	<ul style="list-style-type: none">•A detailed government-wide assessment of climate change risks to support decision making.•Specific and measurable actions to respond to those risks.

	<ul style="list-style-type: none"> •Regular monitoring and public reporting on the progress in fulfilling the adaptation framework.
Findings	<p>Objective 1 – Greenhouse Gas Reduction</p> <ul style="list-style-type: none"> •The Ministry of Environment does not have a detailed action plan for reducing greenhouse gas emissions and does not have clearly articulated reduction targets. •The Ministry is monitoring select activities taken to reduce greenhouse gas emissions. •The Ministry is not reporting publicly on its progress on a timely basis. <p>Objective 2 – Adaptation Framework</p> <ul style="list-style-type: none"> •Ministry has a framework but has not coordinated a government-wide assessment of climate change risks. •The Ministry has undertaken selected activities to adapt to climate change. •There is no public reporting of progress in climate change adaptation.
Conclusion	<p>Objective 1 – The objective is not met. The Ministry lacks detailed action plans and targets to reduce greenhouse gas emissions. As a result, it cannot assess whether it is on track to meet its targets. The Ministry has not reported publicly on its actions and progress.</p> <p>Objective 2 – The objective is not met. The Ministry's adaptation framework is not based on an assessment of climate change risks. The Ministry does not monitor progress against the framework and there is no public reporting on its progress.</p>

APPENDIX 4

FORMING THE PERFORMANCE AUDIT CONCLUSION

The following diagram illustrates the steps set out in [CSAE 3001](#) in forming the assurance conclusion, with relevant paragraph numbers referenced.



(1) Although a practitioner may present an adverse or qualified conclusion overall in the assurance report, they may choose to highlight some criteria that were met. The practitioner exercises professional judgement in describing findings that may be relevant to the users of the report.

Footnotes

1. CSAE 3001, paragraph [14\(k\)](#)
2. CSAE 3001, paragraph [3](#)
3. The *Hansard* transcript is the official record of the parliamentary debate.
4. Paragraph [14\(h\)](#) of CSAE 3001 defines "engaging party" as "The party(ies) that engages the practitioner to perform the assurance engagement." Paragraph [A18](#) notes: "The engaging party may be, under different circumstances, management or those charged with governance of the responsible party, a legislature, the intended users, or a different third party."
5. CSAE 3001, paragraph [A35\(a\)](#)
6. See [Appendix 1](#)
7. CSAE 3001, paragraphs, [36](#), [57](#), [A69-A70](#), [A121-A125](#)

