**OFFICE OF THE AUDITOR GENERAL OF CANADA**

###### NATURE AND SIGNIFICANCE CONSIDERATIONS OF NON-COMPLIANCE ISSUE

**ENTITY** :

**Year-end**:

*The selection of the appropriate reporting mechanism requires the exercise of judgment.  The factors set out below are intended to assist in the exercise of judgment.  While all factors must be considered, in the circumstances any one may be sufficient to indicate external reporting.  All reporting decisions related to compliance deviations should be noted in the Report Clearance Summary.*

1. Assess each of the following factors and document, in the appropriate column, the facts related to the non compliance issue.
2. Conclude on the selected reporting mechanism.
3. Note your decision and the rationale in the Report Clearance Summary.

| Consideration | Factors Tending to Suggest Internal Reporting  (Management Letter or Report to the Audit Committee) | Factors Tending to Suggest External Reporting  (Auditor’s Report or Other Audit Observations) |
| --- | --- | --- |
| Dollar Materiality of Transaction(s) | Significantly less than materiality level set for entity | Greater than materiality |
| Public or Parliamentary Sensitivity | No known sensitivity | Matter of known sensitivity such as code of conduct, executive remuneration, etc. |
| "Controllability" | Full compliance or stronger control is not feasible | Better control or compliance feasible |
| Directness of the Requirement | A general requirement | A requirement specific to the entity |
| Hierarchy of the Requirement | Matters Internal to the Government or the Board of Directors (e.g., Treasury Board decision, by-law) | Statutory requirement |
| Potential Impact of the Non-compliance on Entity's Performance | Little impact | Major potential impact |
| Pervasiveness of Non-compliance | Isolated instance | Repeated, pervasive |
| Entity Attitude | Compliance promoted; first time encountered corrective action taken (or proposed) | Result of failure to promote compliance; no corrective action taken or proposed |
| Clearness of Non-compliance | Entity management believes compliant, with reasonable basis for belief | Clearly non-compliant, no differing legal opinion |
| Government-wide Effects | Entity specific | Affects entity in its relationship with other entities, central agencies or Parliament (possible other matter) |

**Conclusion regarding the reporting mechanism**: