



CANADIAN PUBLIC ACCOUNTABILITY BOARD
CONSEIL CANADIEN SUR LA REDDITION DE COMPTES

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March 25, 2008

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

Dear Mr. Shields:

Re: Exposure Draft (ED), *Agreeing the Terms of Audit Engagements*

The Canadian Public Accountability Board (CPAB) is pleased to respond to this ED.

Overall, we believe this ED represents an improvement, but we have a few specific concerns as set out below.

Proposed modifications to application and other explanatory material

1. We agree with the AASB's proposed amendments concerning the elimination of reference to "true and fair" reporting. However, the ED still refers to the "fair presentation framework", which Canadian auditors may misunderstand. We intend to comment to IAASB that the last sentence in paragraph 4 be eliminated as unnecessary in this context because it is covered in the lead-in. If the IAASB does not eliminate this sentence, the AASB should.
2. We also agree with the proposed changes concerning unacceptable accounting frameworks.

Summary of significant changes to current Canadian standards

We have no concerns about the identified changes.

Other comments

1. We will comment to the IAASB concerning "unrestricted access" in 4(b)(ii)c. It is essential that auditors have access to those within significant component entities. Indeed, such access is required in CAS 600 for significant components (paragraphs 13 and A15). If IAASB does not conform this ISA to the requirements of ISA 600, the AASB should do so.

2. Throughout this ED, including conforming amendments, there appears to be a suggestion that there are situations where those charged with governance do not have responsibilities for the financial statements (through use of the phrase “where appropriate”). In Canada, this situation could almost certainly not occur and the phrase should be omitted to avoid inappropriate interpretation.
3. In Canada, it is practice to reconfirm the terms of engagement annually. Preferably, this should be reflected in the final CAS.
4. We believe the material in paragraph A27 concerning changing an engagement from an audit to a review should be made into a requirement.
5. We believe a sign-back should be required. It is only implied in the ISA.

If you have any comments or concerns about this response, please contact David Selley or Paul Lohnes at CPAB – (416) 913-8260, extensions 4153 and 4155 respectively.

Very truly yours,



Keith Boocock
Chief Executive Officer