



CANADIAN PUBLIC ACCOUNTABILITY BOARD  
CONSEIL CANADIEN SUR LA REDDITION DE COMPTES

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April 30, 2008

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

Dear Mr. Shields:

***Exposure Draft – Preface to the Canadian Standards on Quality Control, Auditing, Review, Other Assurance and Related Services***

CPAB is pleased to respond to the above Exposure Draft (ED).

**Overall comment**

CPAB supports the proposed structure of the New Assurance Handbook both conceptually and as set out in the diagram at the end of the Highlights. With respect to the CASs, our primary area of interest, we support the adoption of ISAs and, where applicable, IAPSSs. We believe this structure is logical and will help Canadian practitioners. However, we have a few overall concerns and specific comments on the material in the ED, as set out below.

**Comments on Highlights to the ED**

***Practitioner’s responsibilities with respect to standards***

We agree with the concept and text relating to circumstances in which non-compliance with a requirement is appropriate. However, we believe strongly that when such an approach is taken the reasons therefore must be documented. This issue also relates to paragraphs 20 and 29 of this ED.

### *Compliance with generally accepted auditing standards*

We agree that this concept should be retained in the auditor's report and elsewhere, not just for statutory and regulatory reasons but because of the wealth of literature surrounding the term.

### *Modifications to standards of the IAASB*

We agree in principle with the criteria for modification set out in all recent EDs and in Appendix 1. However, as pointed out in several recent responses and elsewhere, we believe there are cases where these criteria have been applied inconsistently or inappropriately. In particular, criterion 2(a) relating to the elimination of options has only very rarely been applied. There are many cases where the ISA uses the term "in some jurisdictions" and then sets out different approaches. In some cases this does no harm, but in others it creates confusion for Canadian practitioners when an option does not apply in Canada. One example is reference to "two tier Boards", which do not exist in Canada and many practitioners would not know what they are. Another is frequent reference to "fair presentation" and "compliance" frameworks. Only the fair presentation framework applies in Canada, as is recognized in the recent ED on Terms of Engagement. Therefore, references to the compliance framework should be eliminated.

The third criterion includes a reference to maintaining the quality of auditing and reporting in Canada. There are a number of areas where we believe the proposed ISAs lower Canadian standards. We do not advocate Canadian amendments for all these situations, and recognize that in other respects the ISAs improve existing Canadian standards (for example, the new ISA on sampling). Nevertheless, we cannot recall one example of the AASB using this criterion to modify an ISA or provide supplementary requirements or guidance. We believe there are cases when this criterion should have been applied. Two examples are the removal of the requirement to report corrected misstatements to the audit committee and of the requirement to prepare a summary memorandum at the completion of the audit. Our responses to EDs have indicated other examples.

### *Linkages between the AASB's and the IAASB's pronouncements*

We believe this linkage is structured appropriately.

### *Effective date of standards*

We agree with this approach, subject to comments in our earlier responses to EDs about problems that can occur with piecemeal early adoption. We believe the AASB has now addressed that issue effectively.

### *Use of the term "practitioner"*

We agree, but note that ISAs do not always use this term. Also, if this is the definition, it applies to all members of the engagement team, not only to the engagement partner. This distinction should be clear in the standards.

### **Comments on the Preface**

<b>Par. Ref.</b>	<b>Comment</b>
9	If reports on forecasts fit into this category, they should be specifically mentioned in the Preface, or elsewhere if they fit in a different category.
20	As noted under general comments, the justification for departures must be documented.
25	To provide helpful guidance to Canadian practitioners, when such definitions are inconsistent with Canadian usage or regulatory or legal definitions, this should be footnoted. We note that ISAs sometimes have such footnotes when definitions are at variance with other usage.
26	We particularly support the requirement to comply with both Canadian and IFAC independence and ethical requirements when Canadian auditors report in accordance with ISAs.
29	As noted under general comments, the justification for departures must be documented.

30	In the ISAs and the IFRSs, there are numerous references to the term “professional judgment” yet there is no meaningful explanation of what is meant by this term. Guidance is needed urgently on professional judgment. In the meantime, we suggest using the definition of professional judgment in CAS 200. We find professional judgment is sometimes used in an attempt to justify inappropriate behaviour, and without evidence of serious consideration.
33	We agree with this paragraph. However, we believe that the proposed elimination of some of the existing Auditing and Assurance Guidelines is inappropriate because it will likely diminish the quality of auditing in Canada. The proposed elimination of AuG-26 on segment disclosures, and some of the detailed guidance in AuG-41 on the application of materiality are two examples.

If you have any questions concerning this response, please contact Ken Vallillee at (416) 913-8260 ext. 4175.

Very truly yours,



Keith Boocock  
Chief Executive Officer