



CANADIAN PUBLIC ACCOUNTABILITY BOARD
CONSEIL CANADIEN SUR LA REDDITION DE COMPTES

150 YORK STREET, SUITE 200, BOX 90
TORONTO, ONTARIO M5H 3S5
TÉL 416.913.8260 FAX 416.850.9235
WWW.CPAB-CCRC.CA

June 7, 2007

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

Dear Mr. Shields:

Exposure Draft, CAS 550 – *Related Parties*

CPAB is pleased to respond to the above Exposure Draft (ED). We have also responded to the IAASB on their equivalent re-exposure draft and attach a copy thereof.

CPAB believes that in most respects the adoption of the ED represents a significant enhancement of the existing CICA Handbook Section 6010. We therefore support the adoption of the changes set out in the introduction to the ED under *Summary of significant changes*.

We also strongly agree, subject to a few comments in our response to the IAASB, with the changes made (and not made) by the IAASB in response to comments on the original ED. We urge the CICA to support the IAASB's decisions in this respect.

We have the following comments on how the AASB should adopt ISA into Canadian generally accepted auditing standards (GAAS)

1. So long as Canadian GAAP deals with measurement of related party transactions, it is unacceptable to drop the related auditing requirements and guidance. This is an obvious example of a unique Canadian circumstance that is contemplated in the criteria for amending ISAs. We therefore disagree with your conclusion in the Introduction to the ED that this matter “*would not warrant including a modification in CAS 550*”. If this does not warrant a modification we find it hard to understand what would.

Mr. Gregory Shields, CA
June 7, 2007

Page 2

2. Another problem for Canadian practitioners is in paragraph 26 of the ED. It is unlikely that a Canadian auditor would understand the difference between a “fair presentation framework” and a “compliance framework”. Nor would those who do understand know which framework applied to Canada. We have recommended to the IAASB that they define what is meant by these two terms, or make an appropriate cross-reference. If they do not, the AASB should.
3. We note that a number of the points in the Appendix to Handbook Section 6010 are not carried forward. A Guideline might be considered in this important area.

If you wish to discuss any of the above comments please contact David Selley at CPAB (416) 913-8260 Extension 4153.

Very truly yours,



Keith Boocock
Chief Executive Officer

Att: