



CANADIAN PUBLIC ACCOUNTABILITY BOARD
CONSEIL CANADIEN SUR LA REDDITION DE COMPTES

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

November 8, 2007

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 Drafts (EDs), CAS 700, 705 and 706

The Canadian Public Accountability Board (CPAB) is pleased to comment on the above EDs. We also attach a copy of our responses to the IAASB on the corresponding EDs of proposed International Standards on Auditing (ISAs).

CPAB does not intend to respond to the AASB or to the IAASB on reporting EDs 800 and 805 on special purpose reports and reports on summary financial statements respectively.

Proposed CAS 700, The Independent Auditor's Report on General Purpose Financial Statements

We are pleased to see that the AASB proposes to make certain modifications to the proposed ISA to fit the Canadian environment.

Comments on the Introduction

1. We agree with the need to retain Canadian GAAP as the basis for reporting in Canada and the need to clearly indicate that the fair presentation framework and “present fairly” terminology is the only standard for Canada and that “true and fair” reporting is not appropriate. As noted in 4 below, we do not think the proposed modifications quite achieve this.
2. We agree with the proposed linkages to proposed CAS 210, *Agreeing the Terms of Audit Engagements*.

3. Proposed paragraph A5A concludes “They also describe how the reported financial position and performance of the entity would have differed if it had complied with Canadian generally accepted accounting principles”. We believe there should be a requirement that the description be quantified.
4. The proposed paragraph 31A implies that the Canadian auditor can opine in accordance with other than a fair presentation framework. It also requires that the auditor “state that” the financial statements present fairly in accordance with “the applicable reporting framework”. This is incorrect; no Canadian auditor will use these words. This is also a problem in proposed ISA 700 (see our response attached). We believe the paragraph should read:

In Canada, when expressing an unmodified opinion in accordance with paragraph 31 of this CAS, the auditor shall state that the financial statements present fairly, in all material respects, in accordance with Canadian generally accepted accounting principles (*or another applicable framework*).

We agree that this modification will be required whenever an ISA refers to the option to use the phrase “give a true and fair view”. However, we do not agree that this can be dealt with only in the Preface to the Handbook. For clarity, it should be dealt with each time the phrase appears, for example by way of footnote.

5. We do not agree with the proposed modification relating to the reference to the summary of significant accounting policies. Handbook Section 1505 requires such disclosure, although the term “summary of significant accounting policies” is not used. If any modification is required it should be to use the phrase “significant accounting policies note”.
6. We have no concerns about the “Summary of significant changes to current Canadian standards” except that we do not agree with dropping the concept of “issue date”. If only from a legal point of view, there is a very important difference between an auditor’s report that has been “issued” and one that has not, and is therefore still completely under the auditor’s control.

Further comments

1. There is material throughout the proposed ISA relating to matters that are only applicable in the compliance framework. This material should be eliminated from the Canadian material, or should be clearly marked as not applicable in Canada. As we have stated in previous responses, Canadian practitioners do not know what this means, and do not need to.

Proposed CAS 705, Modifications to the Opinion in the Independent Auditor's Report

Comments on the Introduction

1. We agree with the proposed modifications in proposed paragraphs 25A and 26A, except that there is no need in either case to use the phrase “when expressing ... [an opinion] ... in accordance with a fair presentation framework...” Use of this phrase implies that the auditor may report in accordance with another framework. We also agree with proposed A27A.
2. We agree with all the changes set out under *Summary of significant changes to current Canadian Standards*. We particularly support the inclusion of paragraph headings, especially the requirement that the headings for a modified opinion paragraph indicate the nature of the modification.

Further comments

1. See our response to the IAASB attached. This would not be sufficiently significant to require a Canadian modification, if not adopted.

Proposed CAS 706, Emphasis of Matter Paragraphs and Other Matter(s) Paragraphs...

Comments on the Introduction

1. We have no comment on the proposed modification relating to other financial reporting frameworks and engagement letters.
2. We strongly believe that the inclusion of a nature of emphasis matter paragraph is only appropriate if required by existing standards (e.g. ISA 560 re “subsequent events” and ISA 570 re “going concern”). The financial statements, including all disclosures should stand on their own without the need for the auditor to emphasize a matter unless called for in the standards. In our view, putting the onus on the auditor to consider the need for an emphasis of matter paragraph inappropriately shifts the responsibility for fair presentation from management to the auditor.
3. We agree with the changes noted in the *Summary of significant changes to current Canadian Standards*.

Mr. Greg Shields
November 8, 2007

Page 4

Further comments

1. See comments to IAASB attached.

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

Yours truly,

A handwritten signature in cursive script, appearing to read "K. Boocock".

Keith Boocock
Chief Executive Officer