



March 12, 2009 Webcast

Answers to questions not responded to during Webcast (continued)

Note: *The answers below are those of the staff member answering the question, and do not necessarily represent the views of the CPAB Board.*

Question:

Regarding independence, if my spouse own shares of a public company that our firm audits and I have no involvement within the audit, does she have to sell the shares in order for me to continue employment with the firm if the firm wants to keep the client? My title is of an Audit Manager.

Answer:

This question should be considered in light of the Rules of Professional Conduct, issued by the relevant provincial accounting body.

Question:

At its last webcast, CPAB indicated its expectation that preparers and their auditors would consider the effects of the liquidity crisis on their financial reporting and disclosures. Practical question (possibly not related to today's presentation) - does CPAB have any thoughts regarding what appropriate interest/discount rates might be applied in situations where these are needed? Might it be reasonable to select a rate anticipating a return to more normal liquidity?

Answer:

This question cannot be answered generically since the appropriate rate would depend on the particular circumstances at the time of the audit.

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Question:

Is there a need to respond to CPAB's queries or can we wait until next inspection?

Answer:

CPAB's recommendations raised during inspections are required, under Rule 409, to be responded to within 30 days of receipt of CPAB's draft inspection report.

Question:

Reliance on Other Auditors: What is CPAB expecting in terms of file documentation to support reliance on the other auditors?

Answer:

The needed file documentation will depend on the particular circumstances of the audit. As noted in the webcast, HB 5145 "Documentation" requires that the file documentation enable an experienced auditor, having no previous connection with the engagement, to understand the nature, extent and timing of the audit procedures performed, and the significant findings or issues arising from the audit.

Question:

What is considered a favourable ratio of audit staff to partner?

Answer:

The appropriate ratio of audit staff to partner will depend on the particular circumstances of the firm and its clientele.

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Question:

How is professional judgment evaluated by CPAB, given CPAB has the benefit of hindsight?

Answer:

In evaluating professional judgments, CPAB takes into account the facts and other information available to the auditor at the time the audit opinion was signed. CPAB does not use hindsight when evaluating professional judgments.