



CANADIAN PUBLIC ACCOUNTABILITY BOARD
CONSEIL CANADIEN SUR LA REDDITION DE COMPTES

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November 30, 2007

Mr. Jim Sylph, CA
Executive Director, Professional Standards
International Federation of Accountants
545 Fifth Avenue, 14th Floor
New York, NY 10017
USA

Dear Mr. Sylph:

Consultation Paper – *Proposed Strategy for 2009-2011*

The Canadian Public Accounting Board (CPAB) is pleased to respond to the above Consultation paper.

General comments

Overall, this proposed strategy represents a reasonable use of available resources over the period. However, we have several comments.

1. We believe that the board should not propose a “hiatus” as this will in our view lead to misleading and unrealistic expectations regarding the pace of future change. There will be new developments and there will be a need to update and upgrade standards that were limited to clarification in the recent projects. The process of clarification brought to light deficiencies in extant standards that need to be corrected. Our recommendations concerning XBRL, sustainability reporting, complex valuation models and the use of professional judgment would suggest that any hiatus would not be appropriate.
2. It is not clear how the 10 or 12 projects referred to in paragraph 11 match the projects listed in the table on pages 13 and 14 (A.1.1 through C.3). We do not think that the existing staff complement should be a constraining factor if need dictates additional resources. There are other constraints as well, including time commitments of IAASB members and technical assistants and member bodies’ ability to properly consider proposals. Without more detail about resources available and needed, it is very difficult to draw conclusions on how much can be done.
3. We believe a project on the audit of complex valuation models should be a high priority. See comments on B.2.2 below.
4. We believe an ISA or IAPS is urgently needed on professional judgment. This term is widely used, and misused, by practitioners. The term is widely used in ISAs, which would benefit from clarification of the meaning

5. Sustainability and similar reports should also be high priority if the profession is to be competitive with others who are also seeking to provide this service.
6. Any relaxation of standards for SMEs should not apply to SMEs that are public companies, which represent a very significant component of the Canadian economy.
7. In paragraph 46, we do not believe the standards are too prescriptive on an overall basis. We believe the clarified ISAs are generally less prescriptive than their predecessors, and often undesirably so. Much of the “present tense” language in the extant ISAs has correctly been treated by most firms as quasi-prescriptive – requiring justification if not followed. In our view, downgrading much of this material to “Application and Other Explanatory Material” is not a positive step.
8. Implementation guidance is needed, including guidance for specialised industries, particularly resource-based entities, including those in the development stage.
9. With respect to a conceptual framework, existing ISA 200 might be expanded somewhat, but we do not think a separate framework would be worth the effort involved.
10. We believe that the strategy should incorporate liaison with the PCAOB to encourage them to adopt ISAs and with the IASB to work more closely with them to consider the auditing implications of their pronouncements

Specific comments

| Ref. | Comment |
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| A.1.1 | Upgrading ISA 530, Sampling and ISA 250, Laws and Regulations, in our view are just as high a priority as ISAs 610 and 720. |
| A.1.2 | Removing barriers to adoption of ISA 700 is worthwhile, if possible (some of the barriers are likely statutory or regulatory), but we would be very concerned if the matters reported were in any way expanded. If anything, the report could be shortened. The longer the report the more difficult it is for readers to identify important modifications. |
| A.1.3 | The GPPC has highlighted the potential for auditor assurance on XBRL data. While there is still uncertainty whether such assurance will be in demand by companies or required by regulators, a mere “watching brief” is likely insufficient. A project should be established to assess what kinds of assurance are feasible and useful so that if the demand is realized the profession will not have to start from scratch and so that a researched response will be available at that time. |
| A.1.4 | We agree that monitoring developments in continuous auditing is as far as this should go at this time. Continuous auditing has been |

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| | discussed for twenty years or more. It has rarely been practiced and is not likely to be required in the near future. Integrating quarterly reviews with annual audits is widely practiced. A practice guideline on this might be useful but it is not a high priority. |
| A.2.1 and 2.2 | We agree that a standard on examination of prospective financial information and prospectuses is a high priority. While EU Directives may be the driving force behind the identified need, IAASB should be careful to make any ISAE globally relevant. |
| A.3 | Assurance is currently provided by accounting firms and others on sustainability and similar environmental and social responsibility reports, including the more specific aspect of tradeable carbon credits. Existing standards, whether of NivRA or other organizations like AccountAbility, GRI and ISO should be taken into account. A great deal of good work has been done in this area in recent years. It may be that this has to be a joint effort with non-accounting organizations that have established credentials in the field. Completion of social responsibility and environmental audits produces overlapping benefits for the integrity of the financial reporting and auditing processes. |
| B.1.1 | We do not think a hiatus will be possible given the important projects requiring fairly urgent start and completion. There is too much work to be done. See General Point 1. |
| B.1.2 | We agree with trying to assess the effectiveness of new standards. However, it should be recognized that quantifiable cost benefit analysis will likely be very difficult or impossible. |
| B.1.3 | A note concerning the key changes should first be published with the exposure draft. It may not be necessary for the final standard, except in eNews or some other form of release. |
| B.1.4 | We have no comment. |
| B.2.1 | IAPSs should be a high priority. See General Point 8 above. |
| B.2.2 | In our view, a standard or practice statement, or ISA, on auditing complex valuation models is not given sufficient priority in the strategy. This should be of the highest priority in light of the move to fair value measurements. We disagree with those who argue that issuing implementation guidance should not be the IAASB's responsibility. To quote Warren Buffet " <i>Derivatives are weapons of mass financial destruction</i> ". We believe that the use of valuation models to book assets and record revenues offers a tremendous opportunity for financial misrepresentation. |

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| B.2.3 | We do not think guidance should be limited to one topic if a need is determined. If resources have to be increased, so be it. |
| B.3.1 | While cost benefit is a consideration, we believe the results will almost always be imprecise, especially on the benefit side. |
| C | We believe the present approach to dealing with SME issues in each ISA is appropriate. It should be clear that any modification of standards or reporting for SMEs does not apply to SMEs that are public companies. |

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

Yours truly,



Keith Boocock, CA
Chief Executive Officer

cc. Mr. Greg Shields, CA
Director, Auditing and Assurance Standards
Canadian Institute of Chartered Accountants