

December 13, 2007

International Auditing and Assurance Standards Board
International Federation of Accountants
c/o IAASB ED Comments
545 Fifth Avenue, 14th Floor
New York, New York 10017 USA

Attention: Mr. John Kellas, Chair

Re: ISA 220 (Redrafted), Quality Control for an Audit of Financial Statements, and ISQC 1 (Redrafted), Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements

Dear Mr. Kellas:

The Certified General Accountants Association of Canada (CGA-C) welcomes the opportunity to comment on the two exposure drafts (ED) concerning quality control for firms performing assurance engagements and for the performance of assurance engagements set out above.

Overall General Comments

These comments respond to the two questions posed within the ED, guide for respondents, and to one issue posed on page 5 regarding special considerations in the audit of small entities and considerations specific to smaller practices.

Our general observation of the redraft is that it has achieved its objective of conforming to clarity drafting conventions. This is particularly evident with the use of the term 'shall' versus the previous use of the word 'should' throughout the documents which correspondingly and deliberately provides bolstered intensity to the requirements.

1. Are the objectives stated in the proposed redrafted ISA and ISQC appropriate?

The objective set out in paragraph 11 of ISQC – 1 is succinct and complete. CGA-C agrees with this objective.

We recommend that the objective statement at paragraph 5 of ISA 220 be modified for clarity. The *primary* objective of an auditor is to obtain, if possible, reasonable assurance that risk of material misstatement has been reduced to an acceptable level. In order to differentiate between this primary objective, and that contained within the ISA 220, we suggest amending the paragraph to the following:

“The objective of the auditor, with respect to quality, is to obtain reasonable assurance that the audit complies with professional standards and regulatory and legal requirements, through the implementation of appropriate quality control procedures at the engagement level and to issue a report that is appropriate in the circumstances.”

2. Have the criteria identified by the IAASB for determining whether a requirement should be specified been applied appropriately and consistently, such that the resulting requirements promote consistency in performance and reporting, and the use of professional judgment by auditors?

Generally, CGA-C agrees that the criteria, identified by the IAASB for determining whether a requirement should be specified, have been applied appropriately and consistently, such that the resulting requirements promote consistency in performance and reporting, and the use of professional judgment by auditors.

In particular, we agree with exclusion of external experts from the definition of “Engagement Team” at paragraph 5 (e) of ISQC – 1. and paragraph 8 (d) of ISA 220 External experts providing a specific service, or limited services that are contract (not employed) by the firm, have a reasonable right not to be subsumed under the general responsibilities of the engagement team.

Under paragraph 28 of ISQC – 1, we recommend that the scope of the annual confirmation described therein be expanded to include a requirement from all firm personnel to provide conflict of interest disclosure and recognition of the right of confidentiality and privacy by clients.

Special Considerations in the Audit of Small Entities and Considerations Specific to Smaller Practices—Respondents are asked to comment whether, in their opinion, considerations in the audit of small entities have been dealt with appropriately in the proposed redrafted ISA. Respondents are also asked to comment on the appropriateness of the considerations specific to smaller practices in the proposed redrafted ISQC.

Among groups of small and medium practices (SMPs) working towards various common objectives, there is considerable ongoing discussion and concern regarding whether, or not they are “network firms” and thereby required to extend their due diligence, sometimes extensively and expensively, in relation to independence in assurance engagements. CGA-C recommends that cross-reference to IFAC IESBA prepared guidance materials would be a welcome addition in order to provide assistance to these firms.

In the instance of the cross-reference to the application and other explanatory material (A1 – A23), the addition provides an excellent opportunity to enhance comprehension of the content, and thus the requirements for the auditor. These expanded materials greatly benefit smaller firms who do not have the resources of their larger counterparts.

Closing Comments

The inclusion of application and other explanatory material is an appreciated inclusion in the redrafting. We encourage this development and look forward to reviewing similar inclusions in future redrafting projects.

Should you wish to consult with us further on this matter we request that the IAASB correspond with Ms. Dawn McGeachy, BAccS, FCUIC, ACUIC, CGA, Senior Associate, Public Practice at dmcgeachy@cga-canada.org or myself at rlefebvre@cga-canada.org

Sincerely,

[Original signed by:]

Rock Lefebvre, P.AdM, MBA, FCIS, FCGA
Vice-President, Research & Standards