



**Certified General
Accountants
Comptables généraux
accrédités**

Certified General
Accountants Association
of Canada

Suite 800
1188 W Georgia Street
Vancouver, BC
Canada V6E 4A2

Tel: 604 669-3555
Fax: 604 689-5845
www.cga-canada.org

March 6, 2008

The Canadian Institute of Chartered Accountants
277 Wellington Street West
Toronto, ON M5V 3H2

Attention: Greg Shields, CA,
Director, Auditing and Assurance Standards

Submitted by facsimile transmission to: ed.assurancestds@cica.ca

Dear Mr. Shields:

Re: Preface to the Canadian Standards on Quality Control, Auditing, Review, Other Assurance and Related Services, January 2008

The Certified General Accountant Association of Canada has reviewed the above noted exposure draft (ED) which proposes to publish a new Preface to the Canadian Standards on Quality Control, Auditing, Review, Other Assurance and Related Services in the CICA Handbook – Assurance. This new preface, in addition to replacing certain material, is intended to facilitate the understanding of the scope and authority of the pronouncements of the AASB. We offer the following comments:

General Comments

1. The Certified General Accountants' Association of Canada (CGA-C) has long advocated for the adoption of international standards and we are encouraged to see the AASB align with this strategy.
2. We substantially agree with the ED and believe that it provides considerable clarity regarding the various sources and nature of different Canadian Assurance, Review and Related Standards. The Preface reasonably explains the responsibility of a practitioner in relation to these standards and includes the continuing role of professional judgement.
3. We agree that the scope of the new Handbook should remain broadly defined as set out in the preface – including audits of financial statements and other financial information, review engagements and related services.
4. We concur with the consolidation of this material into one preface replacing four existing introductions in the current handbook.

5. We are especially pleased that the ED emphasizes (by setting it apart as a separate paragraph) that:

“The nature of the Canadian Standards requires the practitioner to exercise professional judgment in applying them.”

This point perhaps deserves even more recognition. The assessment of the risk of material misstatement in financial statements, and the auditor’s specific responses to such assessed risk on both an overall and assertion by assertion basis can never be reduced to a set of rote procedures. This may well remain the single greatest weakness in the implementation of risk based auditing. The pressure of time and cost on engagements and of training and coaching students and entry level professional accountants still induces many to perform procedural auditing practices such as simply performing the procedures on a template checklist rather than responding directly to assessed risk. This point needs to be emphasized on a frequent basis.

Specific Comments

1. We are pleased to see the AASB adopt a preface similar to that of the IAASB's preface to the International Standards on Quality Control, Auditing, Review and Other Assurance and Related Services.
2. We support the conformance of CAS numbering with ISA numbering.
3. The proposed approach to link the AASB and IAASB's pronouncements is practical. Not only will it clearly identify those provisions which are uniquely Canadian (with the use of the 'A' at the end of the paragraph) but will also provide for easy identification of those areas where the auditor may need to focus greater attention in those instances where the engagement must be able to state that it is ISA compliant (Re: Modification Criteria used by AASB when adopting ISAs).
4. We support the use of international standards to the fullest extent possible and with few foreseeable exceptions do not support modification to these standards unless required by law.
5. We are concerned with the statement of the AASB which contemplates elimination of options provided in the ISAs (see modification criteria used by the AASB when adopting ISAs (appendix 1) #2 (a)) and would appreciate disclosure of the rationale for why this might be necessary.
6. Page 7 - #4 (b) speaks to the replacement of deletions from an ISA by an appropriate alternative that achieves the objective of the deleted requirement. We would appreciate explanation from the AASB which would detail the underlying principles that will be employed when a deletion is made to an ISA only to be replaced with an addition that achieves the same objective.
7. In our view modifications to ISAs should be based on narrow criteria, narrowly interpreted. For example, changes under point 3, in Appendix 1 should probably require a clear majority (e. two-thirds of the Board) before acceptance.

Closing Comments

The proposed Preface to the Canadian Standards on Quality Control, Auditing, Review, Other provides clear guidance regarding the nature and authority of the contents of the new Assurance handbook. Except for modification criteria for adoption of ISAs which we view as too broad, we support the ED.

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 rlefevre@cga-canada.org

Sincerely,

[Original Signed By:]

Rock Lefebvre, MBA, CFE, FCIS, FCGA
Vice-President, Research & Standards