



November 30, 2004

Greg Shields, CA
Director, Auditing and Assurance Standards
The Canadian Institute of Chartered Accountants
277 Wellington Street West
Toronto, Ontario
M5V 3H2

RE: Exposure Draft: Authority of Auditing and Assurance Standards and Other Guidance

Dear Mr. Shields,

The Certified General Accountants Association of Canada has reviewed the above-noted exposure draft and we are pleased to offer our comments on this topic. Generally speaking, we support the initiative of the Auditing and Assurance Standards Board. However, there are a few observations that we would like to make.

General

CGA-Canada agrees with the conclusion that guidance similar to that of section 1100 ought to be provided to auditors. We also concur with the view that the proposed section 5021 should be modeled after SAS 95 rather than section 1100. However, the decision *not* to address the relationship between italicized and non-italicized text seems to be one of optics rather than fact. Page ii of the exposure draft states that "... *the proposed new Section indicates that it is necessary to consider the whole text of a Handbook Section to understand and apply the professional standards.*" We believe this statement contradicts the assertion, since all text must be considered — both italicized and non-italicized.

CGA-Canada is also concerned about the due process for the identification of interpretive-type publications. Page iii states that "*As types of interpretive publications are developed, the AASB will determine the related due process ...*" It is CGA-Canada's view that the due process must be known before one starts trying to identify appropriate documents.

Comments Requested

1. *Do you believe that the proposed Section will achieve the AASB's objective of improving the consistency of work effort on assurance engagements?*

Ultimately, we believe it will reach its goal. However, there are aspects to the process that require resolution before the goal can be achieved (e.g., interpretive guidance).

2. *Do you agree that the proposed Section should be based on SAS 95?*

Yes.

3. *Do you agree that Guidelines should be considered Interpretive Publications?*

Yes, since the Guidelines are intended to deal with specific issues in assurance. However, this begs the question: will the existing Guidelines have to go through due process before they can be deemed interpretive guidance?

4. *Are there specific existing CICA publications that you believe the AASB should consider for inclusion in either Appendix A or Appendix B?*

The identification of publications should not be determined before the due process is specified.

5. *Do you agree with the requirements dealing with the practitioner's responsibility when he or she does not follow a Recommendation or an interpretive publication, which are different than those in the US?*

Yes.

Comments regarding specific paragraphs

Paragraph .02(c)(ii): CGA-Canada believes the specific identification of *CAMagazine* is inappropriate. While the material does refer to "other professional journals," *CAMagazine* is not the authoritative source for assurance-related articles. It is merely *one* source. We suggest that the text refer to "auditing and assurance articles in professional journals."

Paragraph .04: The text refers to the "professional standards" but the term is not defined.

Paragraph .09 This paragraph states that, "*In determining whether an other auditing and assurance publication is appropriate, the practitioner considers the degree to which the publication is recognized as being helpful in understanding and applying the Recommendations and the degree to which the issuer or author is recognized as an authority in auditing and assurance matters.*"

CGA-Canada wonders who will make these determinations. If it is the individual practitioner, then the value of the paragraph is limited as it becomes a matter of personal perspective. If it is the AASB, then there is the issue of how the decisions are made. Will there be due process? Will there be a learned panel reviewing publications? We are concerned that this seemingly innocuous paragraph could be the source for conflict and disagreement.

Further, the paragraph concludes by stating that "Other auditing and assurance publications listed in Appendix B are presumed to be appropriate." Appendix B states in part, that "*the [documents] have been reviewed by the CICA Auditing and Assurance Standards staff and are therefore presumed to be appropriate.*" Such an assertion presumes that the AASB staff is expert enough to make the determination. The Association believes that the acceptance or rejection of a document must be made by individuals independent of the AASB or the CICA to preserve objectivity.

Thank you for the opportunity to comment and we hope these comments will prove useful in your deliberations.

Regards,

[Original signed by:]

Anthony Ariganello, FCGA, CPA (Delaware)
President and CEO