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accrédités

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January 31, 2005

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: Terms of the Engagement

Dear Mr. Shields:

We have reviewed the above mentioned exposure draft and will comment in the order you have requested.

1. *Do you agree that practitioners, including legislative auditors, should be required to obtain a written agreement documenting the terms of engagement?*

We agree that all engagements, being Audit, Review, Compilation, or other type of financial engagements, including engagements undertaken for governmental authorities, should be undertaken only when an engagement letter is written and acknowledged by both parties. This provides an understanding between the auditor/public accountant and the client as to who is responsible for what.

2. *Do you agree with the content in the example engagement letters?*

We have reviewed the sample engagement letters included in the material and will comment on the audit and review letters separately:

- Audit letter — We think that many practitioners and clients will find the sample letter too ominous; it could be revised to provide different sample letters for different circumstances. We also have concerns about putting so much of management's responsibilities in the engagement letter. It is felt that this could be used by auditors/public accountants to claim that they did not look into any suspicious transactions or ask any related party questions because management did not tell them there were any.
- Review Engagement letter — Again, we feel that the clients' responsibilities should not be so specifically laid out in the engagement letter in order to prevent practitioners from using the engagement letter (which most clients don't even read, let alone understand) as an excuse to do less work than necessary.

3. *Do you agree with the proposals relating to implementation guidance, or are there other forms of implementation guidance you would find useful in applying the Recommendations and guidance proposed in these standards?*

We feel that there should be numerous examples provided for numerous different types of situations. For example:

- Audit/review of a business
- Audit/review of a not-for-profit organization
- Audit/review utilizing differential reporting
- Audit/review using a basis other than Canadian GAAP
- First time engagement, including arrangements involving a predecessor accountant/auditor

As publication costs should no longer be an issue (fewer people are using the paper versions of the handbook and PEM, or in the case of CGAs, our Public Practice Manual), the more examples the better.

The implementation guidelines should reinforce the concept that it is a good idea for the auditor/public accountant to obtain a new engagement letter each year *before* they start the engagement. In recent years, it is probable that the review accountant would have required a new engagement letter on an annual basis to incorporate changes to the handbook or other legislation.

4. *As noted above, the Exposure Drafts have been developed with reference to International standards. Are there any unique Canadian circumstances the AASB needs to consider in finalizing these standards?*

Numerous parts of the handbook sections use the term “Generally Accepted Accounting Standards.” In sections that have been issued previously, we have seen the use of the word Canadian to identify that the statements are prepared using Canadian Generally Accepted Accounting Principles. However, the majority of the cases where generally accepted accounting principles have been used in the text of the new sections do not refer to the word “Canadian,” yet the examples all use the word “Canadian.” To avoid confusion, the sections of the handbook should use the word “Canadian” since the sections of the handbook take precedence over the examples and implementation guidelines. If we truly want the Canadian aspect of the principles utilized, then they should be fully identified as such.

Thank you for the opportunity to provide our opinion on your exposure draft. We hope these comments will prove useful in your deliberations.

Regards,

[Original signed by:]

Anthony Ariganello, FCGA, CPA (Delaware)
President and Chief Executive Officer