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Canadian Public Accountability Board
150 York Street, Suite 900
Toronto ON M5H 3S5

By email: consultation@cpab-ccrc.ca

Dear Sirs:

Re: Consultation Paper - Protocol for Audit Firm Communication of CPAB Inspection Findings with Audit Committees – November 2013

Thank you for the opportunity to respond to the above Consultation Paper.

Our firm supports the overall ongoing objective of enhancing audit quality. We also support initiatives that would support Audit Committees in their role in overseeing and evaluating the external auditor. We believe that effective communication between the audit firm and the Audit Committee would support Audit Committees in meeting their objectives. However, we do not believe that certain areas of The Protocol would necessarily result in effective communication between the audit firm and the Audit Committee, particularly in the Venture Issuer market. We also have concerns with maintaining the confidentiality of communication between the audit firm and the Audit Committee as it pertains to CPAB's inspection findings.

Question #1

We do not believe that information shared under The Protocol will necessarily assist Audit Committees in their oversight role and improve audit quality in all circumstances. The Audit Committee must be independent and financially literate for The Protocol to achieve this objective. The Canadian Securities Regulators in National Instrument 52-110 have provided an exemption for Venture Issuers that audit committees members are not required to have members who are independent and financially literate. Accordingly the individual members may not have the technical expertise and experience to appropriately consider and evaluate the information contained in a significant engagement finding nor in CPAB's annual public report. In our experience, most members of Audit Committees are not financially literate and would not have the knowledge or experience to fully understand an engagement finding or CPAB's annual public report. We therefore believe that communicating engagement findings and providing CPAB's annual public report to Audit Committees of Venture Issuers would not achieve the overall objective of improving audit quality. We believe that The Protocol should provide for exemptions with respect to Venture Issuers in line with those provided in National Instrument 52-110.

Question #2

We are very concerned with respect to maintaining the confidentiality of the inspection findings related to specific RI engagements inspected if the inspection findings are communicated to Audit Committees. We question what mechanisms could be put in place to ensure that inspection findings are kept confidential and what would be the possible repercussions if they are not kept confidential, and what organization could be responsible for overseeing and enforcing breaches of confidentiality.



We are also very concerned with the last sentence of paragraph 13 of The Protocol which appears to specifically permit Audit Committees to share the information with advisors or others who are not officers nor directors of the RI. This appears to provide the Audit Committee with the ability to share the inspection findings with any party as long as it is kept confidential. This seems to result in no limitations on the distribution of the inspection findings by the Audit Committee. If the objective of The Protocol is to improve communication between the audit firm and the Audit Committee and improve audit quality, we question how the sharing of this information outside of the Audit Committee contributes to meeting this objective.

Once the information is communicated to the Audit Committee, we do not believe there is any way to provide absolute confidentiality protection because the further distribution of the information is out of the control of the audit firm. This could have potentially damaging consequences to the audit firm.

Question #3

Paragraph 6 of The Protocol places a requirement on the audit firm to provide CPAB's public report to Audit Committees on an annual basis. We do not believe that this is the responsibility of audit firms and knowledgeable and financially literate audit committee members will have already read the report. We also believe that discussing general findings in the report that may not relate to a specific RI has any benefit in improving the quality of a specific audit. This appears to add an additional layer of audit cost with no benefit.

Respectfully submitted,

Crowe MacKay LLP