



Ernst & Young LLP  
Ernst & Young Tower  
222 Bay Street, PO Box 251  
Toronto, ON M5K 1J7

Tel: +1 416 864 1234  
Fax: +1 416 864 1174  
ey.com

24 January 2014

Canadian Public Accountability Board  
150 York Street, Suite 200  
Toronto, ON  
M5H 3S5

By email - [consultation@cpab-ccrc.ca](mailto:consultation@cpab-ccrc.ca)

## Re. Protocol for Audit Firm Communication of CPAB Inspection Findings

We support the proposed Protocol. Improving audit quality should be the objective of any changes to CPAB's reporting model. If implemented, this draft protocol will provide audit committees with relevant information to perform their important role in overseeing the work of the external auditor, which should contribute to improved audit quality.

While we are supportive, we believe there may be gaps in the knowledge of some board members of CPAB's role and the limitations inherent in the regulatory oversight process. Accordingly, we propose expanding paragraph 10 of the draft Protocol by inserting an additional statement as set out below. The insertion is adapted from standard language included by the PCAOB in the public portion of its reports. We believe the statement is equally applicable to CPAB, and would be useful to communicate to audit committees.

"It is important that Audit Committees understand the scope of CPAB's inspections, and the fact that CPAB does not inspect the entire audit file. CPAB's inspection findings are not intended to, and cannot, identify all the weaknesses that may exist in an audit. In general, CPAB inspects higher-risk audit areas in the audit files of more complex public companies or companies where there is greater likelihood of identifying audit quality issues. CPAB does not report on areas of the audit file where auditors performed to, or beyond, required standards. As a result, CPAB's findings do not represent a balanced scorecard and cannot be extrapolated across RI population as a whole.

The absence of significant findings in CPAB's inspection of an audit file should not be interpreted to mean that all aspects of the audit were fully compliant with professional standards, or that the RI's financial statements have been prepared in accordance with the applicable accounting standards. Further, any reference in CPAB's inspection findings to violation or potential violations of law, rules, or professional standards should be understood in the supervisory context in which CPAB's inspection findings are prepared. Any such references are not a result of an adversarial adjudicative process and do not constitute conclusive findings of fact or of violations for purposes of imposing legal liability. Similarly, a participating audit firm's cooperation in addressing issues constructively should not be construed, and is not construed by CPAB, as an admission, for purposes of potential legal liability, of any violation."

We appreciate the opportunity to comment on the proposed Protocol.



Yours very truly,

*Ernst + Young LLP*