

January 24, 2014

**PRIVATE AND CONFIDENTIAL**

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

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

Dear Sirs:

Re: Consultation Paper on a Protocol for Audit Firm Communication of CPAB Inspection Findings with Audit Committees

Thank you for the opportunity to respond to the Consultation Paper regarding the DRAFT Protocol for Audit Firm Communication of CPAB Inspection Findings with Audit Committees (the "Paper").

We support the overall objective of enhancing audit quality and promoting improved communication between Audit Committees and audit firms, to support Audit Committees in their role in overseeing and evaluating the external auditor. However we have concerns with respect to certain areas of the Protocol and its use in practice, particularly in the Venture Issuer market.

Question #1

The Protocol aims to enhance communication, and as noted in paragraph 16 of the Paper "Audit Committees of all Canadian RIs have the same responsibility under National Instrument 52-110 to oversee the work of the external auditor. As a result, this Protocol is proposed to be effective for all RIs in Canada". However in our opinion it should be scalable to address the different needs of Audit Committees for Venture Issuers. The Canadian Securities Regulators acknowledge in National Instrument 52-110 that not all audit committees are created equal, Audit Committee's of Venture Issuers 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. Unless the Securities Regulators mandate academic requirements for all Audit Committee members we do not believe there will be a wide-spread improvement in communication and oversight due to lack of experience and in many cases engagement on the part of these Audit

Committees. It is our experience and opinion that significant issues that the majority of Audit Committees would be interested in addressing are those that have resulted in an opinion being inappropriately issued on financial statements, such that the statements require restatement. In those cases the Audit Committee would already be informed of the circumstances and rectification as the restatement is completed, and the requirement in the Protocol becomes redundant.

Question #2

Paragraph 13 of the Protocol purports to address confidentiality, however we very concerned about the wording. This specifically allows an Audit Committee member to share information with an advisor, or other, which seems to be a clear and immediate violation of the confidentiality clause, we do not believe this wording is appropriate. With respect to confidentiality we question what mechanism there is to enforce this requirement, many Audit Committee members are not members of any professional organization and have no understanding of what that may mean and there are no consequences in the Protocol for a violation. We believe there needs to be clear and meaningful consequences should confidentiality be breached, but are not clear what organization might have the authority to enforce these consequences.

Question #3

Paragraph 6 of the Draft Protocol requires audit firms to provide Audit Committees with a copy of CPAB's annual Public Report, we are unclear how this is useful and necessary with respect to the objective of the protocol. CPAB currently distributes the annual report and it is available to any interested reader via the website, we believe this is sufficient to ensure that any individual who wishes to review the annual report can access the document. We do not see the value in requiring audit firms to duplicate this effort. If this continues to be a requirement of the Protocol we would like to see some guidance on what constitutes "provides", for example would including a reference to the website link in an engagement letter or planning report be sufficient to meet the requirement.

Yours very truly,

**WOLRIGE MAHON LLP**

*"Wolrige Mahon LLP"*