



CANADIAN PUBLIC ACCOUNTABILITY BOARD
CONSEIL CANADIEN SUR LA REDDITION DE COMPTES

150 York Street, Suite 200, Box 90, Toronto, Ontario M5H 3S5
Tel 416.913.8260 Fax 416.850.9235 www.cpab-ccrc.ca

April 15, 2008

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

Dear Mr. Shields:

Re: Exposure Draft (ED), *Communicating Deficiencies in Internal Control*

The Canadian Public Accountability Board (CPAB) is pleased to respond to this ED.

Overall, we believe this proposed CAS is sound, and an improvement over existing standards in most respects. However we intend to make several specific comments to the IAASB, as summarized below. The following are comments related specifically to the Canadian environment.

Paragraph Ref.	Comment
<u>Definitions</u>	Generally, we believe that the approach taken to changes in terminology is appropriate, but the explanation of the use (and non-use) of the term "material weakness" should be properly explained within the standard, probably by way of footnote.
<u>Changes</u>	We have no concerns about the significant changes to requirements.
<u>CAS 265</u>	
9	Has the AASB explored whether there are any Canadian requirements that require non-significant deficiencies to be reported to audit committees?
A8	The CAS should cross reference to Handbook Section 5925, and to any known regulatory requirements that require reporting of material weaknesses.

The primary matters we plan to raise with the IAASB are positive, with the following exceptions:

Paragraph Ref.	Comment
6(b), 8, 10 and A4 to A7	A significant deficiency is defined as a deficiency which the auditor judges to be one that should be reported to those charged with governance. Paragraph 10 then says that significant deficiencies should be reported to those charged with governance, which appears completely circular. In fact, there are some good criteria set out in paragraphs A4 to A7 for determining when a deficiency is a significant deficiency. To avoid the appearance of circularity, the essence of the criteria in at least A6 should be incorporated into paragraph 8.
9	We strongly disagree with not requiring communication of deficiencies to management to be in writing. The argument that this would place an undue and excessive documentation burden is not in our view convincing. These matters would need to be documented anyway, so it is simply a question of transmitting the documentation to management. The communication need not be "formal", as implied in the Explanatory Memorandum, but could simply be a copy of the auditor's own documentation, which would likely be prepared more carefully if it was known that it would be communicated to management
11(b)(iii)	The auditor should also specifically state (if it is the case) that other deficiencies have been reported to management. The risk here is pressure from management on the auditor to not report deficiencies to those charged with governance. So if there are deficiencies reported to management that have been withheld from those charged with governance, the latter should at least be aware of this and have the opportunity to pursue them if they wish.
A10 to A12 and A14 to 18	We strongly agree with paragraphs A10 to A12, which clearly state that deficiencies that have been previously reported, or which management is already aware of, need to be reported if they still exist. However, we believe this should apply equally to reporting to those charged with governance.
A17	We are not sure why the size of the entity affects the level of detail at which to communicate deficiencies. And if it does, we are not sure whether the intention is that smaller size suggests more detail or less detail.

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Conforming amendment to ISA 600	We suggest that the same reporting requirements should apply to those charged with governance.
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If you have any comments or concerns about this response, please contact Ken Vallillee at CPAB – (416) 913-8260, extension 4175.

Very truly yours,



Keith Boocock
Chief Executive officer