



CANADIAN PUBLIC ACCOUNTABILITY BOARD
CONSEIL CANADIEN SUR LA REDDITION DE COMPTES

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January 13, 2010

Mr. Greg Tanzer
Secretary General
IOSCO General Secretariat
Calle Oquendo 12
28006 Madrid
Spain

Dear Mr. Tanzer:

**Re: Public Comment on the Transparency of Firms that Audit Public Companies:
Consultation Report**

The Canadian Public Accountability Board (CPAB) is pleased to comment on the consultation report “Transparency of Firms that Audit Public Companies”. CPAB is very supportive of the work being performed by the International Organization of Securities Commissions (IOSCO) to explore ways to improve audit quality and we compliment IOSCO on the high quality of the consultation report. In light of the challenging economic climate and audit fee pressures that many firms are currently facing it is all the more important that firms maintain a focus on audit quality.

Audit Quality

Audit quality is subjective in nature and in our experience is best evaluated based on key drivers/indicators of audit quality, many of which have been highlighted in the consultation report. However, caution has to be exercised when evaluating data obtained from firms to ensure there is consistency when comparing firms and to ensure that data is being interpreted appropriately. For example, if a firm is obtaining new public company audit clients this may be more due to the firm’s competitive pricing rather than superior audit quality.

Increased competition amongst firms based on audit quality is a desirable goal and we believe more research and analysis is required on the best ways to achieve this. We also note that the International Auditing and Assurance Standards Board (IAASB) has an Audit Quality project proposal scheduled for June 2010. In our view, it makes sense for international bodies such as IAASB, IOSCO and IFIAR (International Forum of Independent Audit Regulators) to have a coordinated approach to develop ways to improve audit quality.

Transparency of Audit Firms

In discussions on transparency of audit firms it is important to focus on the key objectives of increased transparency. A key objective should be to drive positive changes in behaviour such that audit quality is improved. However, if firm disclosures are too high level there is a risk of these becoming boiler-plate with very little to distinguish one firm from another in areas such as audit quality. It is important the appropriate disclosures are developed so that audit quality may be meaningfully compared and improved. With increased globalization of the major accounting firms it is especially critical for regulators to understand global networks and how quality control systems are implemented, maintained and monitored.

CPAB has an effective working relationship with the firms it inspects and receives a high level of cooperation from the firms. Increased transparency should not negatively impact firm cooperation with audit regulators and firm responsiveness to audit regulator findings and recommendations to improve audit quality. In certain areas it may be more effective for audit regulators to “monitor” firms and related risks as opposed to making public disclosure.

In conclusion we reiterate our support for the work being performed on audit quality and audit firm transparency and we appreciate the opportunity to provide input on the consultation report.

We would be pleased to discuss any of the above comments.

Yours very truly,



Brian Hunt, FCA
Chief Executive Officer