



CANADIAN PUBLIC ACCOUNTABILITY BOARD
CONSEIL CANADIEN SUR LA REDDITION DE COMPTES

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January 13, 2012

Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, N.W.
Washington D.C. 20006-2803
USA

Dear Sir:

**Request for Comment: Improving Transparency Through Disclosure of Engagement Partner and Certain Other Participants in Audits
PCAOB Rulemaking Docket Matter No. 29**

The Canadian Public Accountability Board (CPAB) is pleased to comment on the Public Company Accounting Oversight Board (PCAOB) Release No. 2011-007 entitled *Improving the Transparency of Audits: Proposed Amendments to PCAOB Auditing Standards and Form 2* (the “Proposed Amendments”). Investors and other financial statement users are calling for more transparency from the audit process and we commend the PCAOB for proposing amendments to their auditing standards that will provide disclosure of other participants in the audit.

CPAB is Canada’s independent audit regulator and is responsible for overseeing firms that audit Canadian reporting issuers. Our mandate is to promote high quality independent auditing that contributes to public confidence in the integrity of reporting issuers’ financial reporting. We accomplish our mandate by inspecting audit firms and audit working paper files which provides us with insights into the application of auditing standards and how they might be improved.

Disclosure of the Engagement Partner

While we understand the basis for the PCAOB’s proposals to require disclosure of the name of the engagement partner in the audit report, we encourage a more holistic approach to better understand the root causes of lapses in audit quality in developing solutions to improve accountability for the audit. Greater focus needs to be given to the organizational structure of audit firms and how this can be improved to enhance audit quality. Consideration needs to be given to how accountability can be strengthened for audit firms at the engagement level, office level and national level. A more holistic approach should also consider the role of the audit committee and explore ways in which audit committees can more effectively evaluate the quality of the audit. In this respect we believe

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mandatory audit firm review performed with appropriate rigour by the audit committee with reporting to shareholders will improve transparency for investors and other financial statement users.

Disclosure of Other Participants in the Audit and Referred-to Accounting Firms

We believe that disclosure of the participants in the audit would provide investors greater transparency with respect to who, other than the principal auditor, was involved in the audit and to what extent. As an audit regulator, CPAB has a shared concern with the PCAOB regarding the extent of reliance by the principal auditor on work performed by other auditors as those other participants may not be registered firms or there may be legal or other regulatory barriers to them being inspected by a foreign audit regulator. As discussed in the Release, disclosure of the other participants would enable investors and other users of the audit report to determine the degree of oversight the participants are subject to and the extent to which there is publicly available disciplinary history.

The percentage of hours attributable to the audit work performed by the other participants in the audit in relation to the total hours for the audit represents a reasonable basis for the disclosures in the Proposed Amendments. However, there may also be merit in disclosing the relative percentages of the total revenues or assets that other participants were primarily responsible for auditing. Such matrix reporting would give stakeholders a broader perspective on the involvement of the other participants and would help alleviate concerns that hours alone could give an incorrect picture of the relative significance of the work of a participant to the overall audit.

We support additional disclosure requirements for “off-shoring” arrangements and encourage reconsideration of the scope out for off-shore work performed in a foreign location by another office of the same accounting firm. We believe it is important for investors to be made aware of significant audit work performed off-shore even if the offshore office is legally part of the accounting firm that signs the audit opinion. Reliance strictly on legal structure to dictate disclosure would seem contrary to the spirit of the Proposed Amendments and could negatively impact the comparability of the disclosures between accounting firms.

We appreciate the opportunity to respond to the Proposed Amendments, and would be pleased to discuss any of the above comments with you at your request.

Yours very truly,



Brian Hunt, FCA
Chief Executive Officer