

March 6, 2006

Mr. Greg Shields, C.A.
Director, Auditing and Assurance
Auditing and Assurance Standards Board
277 Wellington Street West
Toronto, Ontario M5V 3H2

Dear Mr. Shields,

The Committee on Corporate Reporting of Financial Executives International Canada (“FEI Canada”) is writing to provide its views on the Invitation to Comment “Auditing and Assurance Standards in Canada – Maintaining High Standards in a Global Environment: A new standard-setting approach”.

FEI Canada is an all-industry professional association of senior financial executives, with eleven chapters across Canada and more than 1700 members. Membership is generally restricted to senior financial officers of medium to large corporations, as well as senior financial officers in public sector organizations.

The Committee on Corporate Reporting (“CCR”) is one of two national advocacy committees of FEI Canada. CCR comprises more than 20 senior financial executives representing a broad cross-section of the FEI membership and of the Canadian economy who have volunteered their time, experience and knowledge to consider and recommend action on a range of issues related to accounting, corporate reporting and disclosure. In addition to advocacy, CCR is devoted to improving the awareness and educational implications of the issues it addresses, and is focused on continually improving the standards and regulations impacting corporate reporting.

The remarks contained in this submission are made by members of CCR and do not necessarily represent the views of all FEI Canada members or its Board.

CCR has organized its views and comments on this Exposure Draft by way of responses to the suggested questions provided by the Auditing and Assurance Standards Board (“AASB”) with respect to its proposals. Each question is repeated herein, followed by our response.

1. The AASB’s current standard-setting approach

Do you agree that the AASB’s current standard-setting approach needs to change? If not, how would the AASB address the challenges identified in continuing with the current approach?

Response:

We agree that the current standard-setting approach needs to change. Currently it is a mixture of International Standards on Auditing (ISAs), PCAOB and Canadian requirements, which is confusing to users of financial statements and therefore has the potential to negatively influence their views on the quality of audits in Canada, which could impact their willingness to invest in Canadian companies.

2. Proposal to adopt ISAs in Canada

Do you agree that adoption of ISAs in Canada is in the public interest and will contribute to maintaining public confidence in the quality of audits undertaken here? What issues or concerns do you identify, if any, as a result of the AASB's proposal to abandon the objective of harmonizing with US auditing standards? As a user of audit services, do you have any concerns with the adoption of ISAs as regards market perception of the credibility of your financial reporting?

Response:

Canada needs to be consistent in its approach to accounting and auditing standards. Having made the decision to adopt international accounting standards it would be appropriate to also adopt international standards on auditing. One key concern is that while the International Accounting Standard Board has achieved global recognition and respect for its work in improving international accounting standards, the International Auditing and Assurance Standards Board is less well known and is at an earlier stage in demonstrating its commitment to deliver on high quality standards and their acceptance by governments and regulators. This will need to be addressed to ensure the market continues to perceive ISAs as credible.

As Canadian auditing standards are not fully harmonized with US standards today, we see little impact of abandoning the harmonization objective. In the future, inter-listed companies would require their auditors to perform additional procedures to meet PCAOB requirements in the same way as they do today.

3. Application of ISAs in Canada

Do you agree that it will be necessary for the AASB to continue to set standards to address the Canadian environment, by interpreting ISAs in a Canadian context and by addressing areas not dealt with in ISAs, such as the "Specialized areas" section of the Handbook?

Response:

We disagree. We believe that the AASB should limit any interpretation of ISAs to only those areas required by Canadian legal or regulatory issues; otherwise the fundamental benefit of adopting global ISAs will be lost. The AASB should work with the IAASB to ensure that any concerns with the proposed ISAs are appropriately addressed prior to issue.

4. Proposed Approach

Do you agree that the AASB should increase its efforts in influencing the IAASB to take into account the views of Canadian stakeholders?

Response:

As part of adopting ISAs it is important to ensure that Canada plays an appropriate role in ensuring the development of high quality standards. This would include ensuring that the views of Canadian stakeholders are taken into account during the standards development process, and actively participating in the development of standards.

5. Process

Do you agree with the AASB's intended change in due process so that Canadian exposure drafts will in future contain a proposed ISA verbatim, together with a limited number of additions to take into account Canadian conditions?

Response:

We disagree with the proposal. To achieve global convergence we would expect the IAASB to publish exposure drafts for comment, to which interested parties in Canada would respond directly to the IAASB. The role of the AASB would be to consider whether any Canadian legal/regulatory amendments are required and publish these for comment in Canada.

6. Other Issues

Do you have any other comments on the AASB's proposals or on other matters referred to in this ITC?

Response:

The proposed timeline for adoption of ISAs correlates to the timeline for the convergence with and adoption of International Accounting Standards. We are particularly concerned with the potential standards overload given the AASB's comment, that "virtually all Canadian standards will need to be revised to some extent over a relatively short period of time".

Given the significant restructuring the IAASB is performing on the existing auditing standards, and the lack of full acceptance of these standards by governments and regulators, at this point we believe it is inappropriate to make an irrevocable decision. It is only prudent to develop an implementation plan which includes appropriate decision points to change direction, should ISAs fail to gain global acceptance during a period of major change.

During the transition period, it will be necessary for the AASB to develop and implement an education plan to ensure the markets, practitioners and users understand the reasons for the change, and the differences with existing standards. This plan should also clearly outline the process for commenting on future standards and the impact on the future standard setting costs.

CCR hopes that its comments will be useful to the Board in its ongoing deliberations. If you have any questions or would like to discuss any of these matters with us, please do not hesitate to call.

Yours very truly,



Alister Cowan
Chair, Committee on Corporate Reporting
FEI Canada