

Canadian Coalition for  
**GOOD GOVERNANCE**

THE VOICE OF THE SHAREHOLDER

September 30, 2006

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

**Sent via e-mail**

Dear Mr. Shields,

Thank you for the opportunity to provide our comments on The Auditor's Standard Report exposure draft. The Canadian Coalition for Good Governance promotes good governance practices in the companies owned by our 50 members. CCGG Members represent a wide range of institutional investors who have invested over \$975 billion on behalf of millions of Canadians.

The Coalition understands that as a result of **CSA Notice 52-313 – Status of Proposed Multilateral Instrument 52-111 Reporting on Internal Control over Financial Reporting and Proposed Amended and Restated Multilateral Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings**, an audit opinion on management's assessment of the effectiveness of the issuer's internal control over financial reporting will not be required.

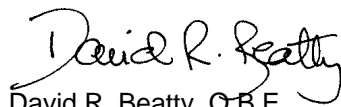
However, we find the proposed wording in the exposure draft used to describe the auditor's responsibility regarding management's assessment of the effectiveness of internal controls – "*accordingly, the auditor expresses no such opinion*" – to be in need of more clarity and transparency. We believe the auditor should be more explicit and, in a separate commentary, state whether or not they were engaged to express an opinion on the effectiveness of internal controls in accordance with Multilateral Instrument 52-109.

In addition, while the auditor may or may not be able to express an opinion on the effectiveness of internal controls, there remain obligations, as stated in CSA Notice 52-313, to *(i) understand the issuer's internal controls relevant to the audit of the issuer's financial statements and (ii) read material with which the auditor is deemed to be associated, such as the issuer's MD&A, assess whether they are inconsistent with their knowledge and take appropriate action if they are aware of any material misstatement of fact or, if applicable, misrepresentations*. It is important for readers to understand these obligations and as such, we would expect the Auditor's Standard Report to make references to both of these responsibilities.

It is our opinion that in the absence of more clarity and transparency regarding the auditor's role with respect to internal controls, a reader might have difficulty understanding exactly what that role was.

Again, thank you for the opportunity to comment. Should you wish to discuss this further, I encourage you to contact the Coalition's Auditing and Accounting Subcommittee.

Yours truly,



David R. Beatty, O.B.E.  
Managing Director