

GENERAL ASSURANCE AND AUDITING

SECTION 5751

communications with those having oversight responsibility for the financial reporting process

Additional Resources

Effective date. The Recommendations in this Section are effective with respect to audits of financial statements relating to periods ending on or after December 15, 2002.

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INTRODUCTION

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- .01 In performing an audit of an entity's financial statements, the auditor communicates with those having oversight responsibility for the financial reporting process. 1(1) This Section provides guidance for such communications.
- .02 The application of this Section depends on the ownership and corporate governance structure of the entity, as discussed in paragraphs 5751.07-.10.
- .03 For convenience, those with oversight responsibility for the financial reporting process are referred to in this Section as the "audit committee" even when such a committee does not formally exist.
- .04 When an entity does not have an audit committee, the auditor communicates directly with the board of directors or other governing body that has retained the oversight responsibility for the financial reporting process.
- .05 While the requirements of this Section can be met through communication with the audit committee whether or not in writing, as discussed in paragraph 5751.34, the auditor would, whenever possible, engage the audit committee in dialogue in order to facilitate a deeper understanding of the specific issues by both parties.
- .06 This Section does not deal with additional legal, regulatory or other requirements that may affect the entity. For example, for public sector audits, matters that may be of interest to the governing body, or included in the mandate of the auditor, are often broader than the matters discussed in this Section and could include:
 - (a) compliance with legislative and related authorities;
 - (b) accounting for and safeguarding of assets;
 - (c) adequacy of management control systems;
 - (d) economy and efficiency in the administration of resources; and
 - (e) effectiveness of programs.

The auditor would, however, refer to the guidance in this Section in determining the appropriate manner in which to communicate such matters.

Entities with public accountability

- .07 This Section applies to all entities with public accountability. For the purposes of this Section, entities having public accountability include:
 - (a) public enterprises, regulated financial institutions and rate-regulated enterprises all as defined in DIFFERENTIAL REPORTING, CICA HANDBOOK – ACCOUNTING Section 1300);
 - (b) co-operative business enterprises;
 - (c) not-for-profit organizations (as defined in FINANCIAL STATEMENT

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PRESENTATION BY NOT-FOR-PROFIT ORGANIZATIONS, CICA
HANDBOOK – ACCOUNTING Section 4400);

(d) pension plans; and

(e) governments and other entities in the public sector (as described in the Introduction to Public Sector Accounting Recommendations in the CICA Public Sector Accounting Handbook).

- .08 ♦ *For entities with public accountability, the auditor should communicate with the audit committee as required by this Section, using professional judgment in deciding the substance of the communication to meet each requirement. [DEC. 2002 *(2)]*

Entities without public accountability

- .09 This Section also applies to entities without public accountability. Such entities can have ownership and governance structures that range from simple to complex. The auditor considers how to apply the requirements of this Section by determining where the entity fits within this range. In determining with whom to communicate, the auditor considers whether an individual or committee has oversight responsibilities and the authority to act on the auditor's findings. The auditor then uses professional judgment in determining the substance of such communications. For example:

- (a) Where an entity without public accountability has ownership and a corporate governance structure that is very similar to that of a publicly listed company, the auditor would consider applying the requirements of this Section as if the entity were an entity with public accountability.
- (b) Where an entity has a single owner-manager, knowledgeable about the day-to-day operations of the business, the auditor considers the extent to which the owner-manager may already be aware of certain matters that the auditor is required to communicate by this Section. The auditor may conclude that it is not necessary to communicate separately on such matters to the owner-manager. However, the auditor would communicate other matters discussed in this Section that the auditor believes would be of importance to the owner-manager.

- .10 ♦ *For entities without public accountability, the auditor should communicate in a letter to the audit committee matters relating to the auditor's independence, as required by paragraph 5751.32, and consider communicating with the audit committee as otherwise required by this Section, using professional judgment in deciding the substance of those communications. [DEC. 2002 *(3)]*

COMMUNICATING PRIOR TO THE COMPLETION OF THE AUDIT

Planning

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- .11 The audit committee can play an important role in the audit planning process by:
- (a) providing information and perspectives to assist the auditor in updating the auditor's knowledge and understanding of the business (see KNOWLEDGE OF THE ENTITY'S BUSINESS, Section 5140), including how the audit committee exercises oversight responsibility of management's processes for identifying and responding to the risks of fraud and error in the entity and the internal control that management has established to mitigate these risks (see THE AUDITOR'S RESPONSIBILITY TO CONSIDER FRAUD AND ERROR, paragraph 5135.042); and
 - (b) identifying additional areas of concern for the auditor to consider when undertaking the audit, including whether the audit committee has knowledge of any actual, suspected or alleged fraud affecting the entity (see paragraph 5135.045).
- .12 The auditor communicates with the audit committee the audit and non-audit services the auditor is providing to the entity and its related entities. This will enable the audit committee to assess whether the services the auditor is providing will give the audit committee all the communications it needs. Should the audit committee request additional work over and above the audit, the auditor would normally confirm in writing with the audit committee the additional work the auditor has agreed to undertake.

Responsibility assumed by the auditor

- .13 When the auditor is performing an audit in accordance with generally accepted auditing standards, the auditor communicates with the audit committee the level of responsibility assumed under those standards with respect to the financial statements covered by the auditor's report. Such communications cover the following matters:
- (a) management is responsible for the preparation of the financial statements, which includes responsibilities related to internal control, such as designing and maintaining accounting records, selecting and applying accounting policies, safeguarding assets and preventing and detecting error and fraud;
 - (b) the auditor's responsibility is to express an opinion on the financial statements based on an audit thereof;
 - (c) an audit is performed to obtain reasonable but not absolute assurance as to whether the financial statements are free of material misstatement and, owing to the inherent limitations of an audit, there is an unavoidable risk that some misstatements of the financial statements will not be detected (particularly intentional misstatements concealed through collusion), even though the audit is properly planned and performed;
 - (d) the audit includes:
 - (i) assessing the risk that the financial statements may contain misstatements that, individually or in the aggregate, are material to the financial statements taken as a

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whole;

- (ii) examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- (iii) assessing the accounting principles used and their application; and
- (iv) assessing the significant estimates made by management;
- (e) a sufficient understanding of internal control will be obtained to plan the audit and, when control risk is assessed below maximum, sufficient appropriate audit evidence will be obtained through tests of controls to support the assessment, but the scope of the auditor's review of internal controls will be insufficient to express an opinion as to the effectiveness or efficiency of the entity's controls; and
- (f) the auditor will express an opinion as to whether the financial statements present fairly in all material respects, in accordance with generally accepted accounting principles, the financial position, results of operations and cash flows of the entity.

The audit approach

- .14 The auditor, after developing the audit approach, communicates with the audit committee aspects of the approach that the auditor believes would be helpful to the audit committee in discharging its responsibilities. Such aspects could include:
- (a) the general approach to the audit;
 - (b) areas of the financial statements identified by the auditor, management or the audit committee as having a high risk of material misstatement, and the auditor's response thereto;
 - (c) the materiality and audit risk levels on which the audit is based;
 - (d) the preliminary assessment of internal control, the planned extent of audit work related to internal control and the effect of any control reliance on year-end procedures;
 - (e) how matters communicated with the audit committee during the planning process (see paragraph 5751.12) affect the planned nature and scope of the audit, including any extensions of its scope requested by the audit committee or management;
 - (f) other specific items likely to be of particular interest to the audit committee, including matters set out in this Section (for example, see paragraph 5751.16);
 - (g) the effects of new developments in accounting standards, or legislative or regulatory requirements, on the entity's financial reporting;
 - (h) other areas of concern that the audit committee or management identifies;
 - (i) planned reliance on other auditors, how the expectations will be communicated to the other auditors and how their findings will be communicated to the audit committee;

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- (j) use of the work of and co-ordination with the work of the internal audit department;
 - (k) use of specialists; and
 - (l) the timing of the audit.
- .15 ♦ *Prior to the completion of the audit, the auditor should communicate the following with the audit committee:*
- (a) *the audit and non-audit services that the auditor is providing to the entity and its related entities (see paragraph 5751.12);*
 - (b) *the level of responsibility assumed by the auditor under generally accepted auditing standards (see paragraph 5751.13); and*
 - (c) *a summary of the audit approach (see paragraph 5751.14). [DEC. 2002 *(4)]*

COMMUNICATING MATTERS ARISING FROM THE AUDIT

Matters set out in other assurance standards concerning communications with the audit committee

- .16 Matters set out in other assurance standards concerning communications with the audit committee include:
- (a) fraud and misstatements arising from error (see THE AUDITOR'S RESPONSIBILITY TO CONSIDER FRAUD AND ERROR, Section 5135);
 - (b) illegal or possibly illegal acts (see MISSTATEMENTS — ILLEGAL ACTS, Section 5136);
 - (c) significant weaknesses in internal control identified by the auditor (see INTERNAL CONTROL IN THE CONTEXT OF AN AUDIT, Section 5220); and
 - (d) related party transactions identified by the auditor that are not in the normal course of operations and that involve significant judgments made by management concerning measurement or disclosure (see AUDIT OF RELATED PARTY TRANSACTIONS, Section 6010).

Matters that have a significant effect on the qualitative aspects of accounting principles used in the entity's financial reporting

- .17 The primary responsibility for establishing an entity's accounting principles rests with management. To assist the audit committee in its review of the financial statements, the auditor communicates with the committee his or her professional judgments on the qualitative aspects of accounting principles used in the entity's financial reporting. Such communication is best accomplished through an open and frank discussion with the audit committee and management. The discussion would include items that have a significant effect on the understandability, relevance, reliability and comparability of the financial

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statements. 2(5) Examples of items for communication include the following:

- (a) The initial selection of and changes in significant accounting policies, including the adoption of new accounting pronouncements, which encompass the specific principles and their method of application. The communication could include the effect of the timing and method of adoption of a change in accounting policy on the current and future earnings of the entity, and the timing of a change in accounting policies in relation to expected new accounting pronouncements.
- (b) The effect of significant accounting policies in controversial or emerging areas, or those unique to an industry.
- (c) The existence of acceptable alternative policies and methods, and the acceptability of the particular policy or method used by management. The communication could include identification of the financial statement amounts that are affected by the choice of principles, as well as information concerning accounting principles used by peer group companies.
- (d) The effect on the financial statements of significant unusual transactions. The communication could address the effect of these transactions on the risks and rewards to the entity, and on the comparability of financial condition and performance among past and future periods.
- (e) The issues involved, and related judgments made by management, in formulating particularly sensitive accounting estimates and disclosures (for example, disclosures related to going concern, subsequent events and contingency issues). The communication with the audit committee may include major items for which reserves and estimates are significant, including how such reserves and estimates are determined and subsequently monitored. To the extent that judgments and estimates involve a range of possible outcomes, the communication could indicate how the recorded estimate relates to the range, and how various selections within the range would affect the financial reporting.
- (f) The basis for the auditor's conclusions regarding the reasonableness of the estimates made by management in the context of the financial statements taken as a whole.
- (g) The factors affecting asset and liability carrying values, including the entity's bases for determining useful lives assigned to tangible and intangible assets. The communication could include an explanation of the manner in which factors affecting carrying values were selected, and how alternative selections would have affected the financial condition and earnings of the entity.
- (h) The timing of transactions that affect the recognition of revenues or avoid recognition of expenses.

Other matters arising from the audit that are important and relevant to the audit committee

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- .18 The audit committee often considers information, other than the annual and interim financial statements, that management prepares and includes in the annual or interim report. The auditor's responsibility relating to the annual report is set out in AUDITOR ASSOCIATION WITH ANNUAL REPORTS, INTERIM REPORTS AND OTHER PUBLIC DOCUMENTS, Section 7500. The auditor communicates this responsibility with the audit committee, the procedures he or she performed, and the results thereof.
- .19 When the financial statements of an entity (primary entity) include financial information from financial statements of a component entity (a subsidiary, investee (other than a portfolio investment), or joint venture; or an entity whose financial information from financial statements is included with those of the primary entity), the auditor communicates with the audit committee those matters relating to the component entities that in the auditor's judgment are of significance in the context of the primary entity (for example, weaknesses in systems of internal control that have resulted, or could result, in material errors in the primary entity's consolidated financial statements).
- .20 The auditor communicates with the audit committee any disagreements with management about matters that individually or in the aggregate could be significant to the entity's financial statements or the auditor's report, whether or not subsequently resolved. The auditor need not report initial differences of opinion arising from incomplete facts or preliminary information that are later resolved to the auditor's satisfaction.
- .21 In some cases, management may decide to consult with other accountants about auditing and accounting matters. When the auditor is aware that such consultation has occurred, the auditor would communicate with the audit committee as appropriate. If the auditor finds that the consultation has not occurred in accordance with relevant generally accepted auditing and assurance standards (for example, REPORTS ON THE APPLICATION OF ACCOUNTING PRINCIPLES, Section 7600), this would be communicated with the audit committee.
- .22 The auditor communicates with the audit committee any major issues discussed with management in connection with the initial or recurring appointment of the auditor, including, among other matters, discussions regarding the application of accounting principles and auditing standards, and fees.
- .23 The auditor informs the audit committee of any serious difficulties encountered while performing the audit, including significant delays in management providing information required for the audit and an unnecessarily brief timetable in which to complete the audit.
- .24 ♦ *The auditor should communicate with the audit committee matters arising from the financial statement audit. Such matters include:*
 - (a) *matters set out in other assurance standards concerning communications with the audit committee;*
 - (b) *matters that have a significant effect on the qualitative aspects of accounting*

principles used in the entity's financial reporting; and

(c) other matters arising from the audit that, in the judgment of the auditor, are important and relevant to the audit committee, including matters previously agreed with the audit committee to be communicated.

The auditor would refer to paragraphs 5751.16-.23 for guidance on the matters to communicate. [DEC. 2002 *(6)]

COMMUNICATING MATTERS THAT BEAR ON INDEPENDENCE

- .25 The auditor communicates relationships that affect independence with the audit committee to help it understand independence issues. The auditor also discloses to the audit committee, in a letter, substantially in the form set out in the Appendix, all relationships between the auditor and his or her related business or practice 3(7) and the entity and its related entities that in the auditor's professional judgment may reasonably be thought to bear on independence. The auditor of an entity with public accountability (see paragraph 5751.07) would disclose to the audit committee the total fees charged for audit and for non-audit services provided by the auditor and his or her related business or practice to the entity and its related entities during the last year. This disclosure would be in the form agreed with the audit committee (for example, by type of services or within specific dollar ranges). The audit committee's expectations are normally determined and agreed before such discussion is finalized.
- .26 In determining which relationships to report to the audit committee, the auditor would consider relevant rules and related interpretations, prescribed by the appropriate provincial institute / ordre and applicable legislation, covering such matters as:
- (a) holding a financial interest, either directly or indirectly, in a client;
 - (b) holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client;
 - (c) personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client;
 - (d) economic dependence on a client; and
 - (e) provision of services in addition to the audit engagement.
- .27 The auditor does not omit the reporting of a relationship solely because he or she has concluded that independence is not impaired. The auditor considers whether the audit committee would view the discussion and disclosure of the relationship as beneficial to furthering its understanding of auditor independence in the entity's specific circumstances.
- .28 For entities with foreign reporting obligations, the auditor would also consider additional requirements for independence in legislation to which the entity or auditor may be

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subject, such as securities, incorporating or other governing legislation, and in the relevant standards of professional conduct for auditors in those jurisdictions.

- .29 In addition to communicating with the audit committee relationships that bear on independence, the auditor confirms his or her independence in the letter referred to in paragraph 5751.25. However, since the Rules of Professional Conduct / Code of Ethics of the provincial institutes / ordre deal with the concept of independence in terms of objectivity, the auditor's confirmation is made in that context. The auditor would confirm that, in his or her professional judgment, he or she is objective within the meaning of the Rules of Professional Conduct / Code of Ethics of the appropriate provincial institute / ordre. 4(8) Where an entity also has reporting obligations in a foreign jurisdiction that requires the auditor to confirm his or her independence to the audit committee, the auditor may do so in the letter referred to in paragraph 5751.25.
- .30 This letter is presented at an audit committee meeting prior to issuing the auditor's report on the entity's annual financial statements. Communication with the audit committee about independence matters is, however, an ongoing process. To enhance the effectiveness of this process, the auditor considers communicating to the audit committee significant new matters at the time the relationship is established or the matter is first identified, rather than waiting until the final audit committee meeting. When communication takes place early in the audit cycle, the auditor and the audit committee establish a protocol to update the audit committee of any new or proposed relationships that occur after the initial communication.
- .31 To assist the audit committee in understanding matters bearing on the auditor's independence, the auditor would communicate with, and may wish to include in the letter to, the audit committee information on relevant safeguards designed to ensure the auditor's continued independence. This would normally include safeguards:
- (a) created by the profession as a whole, such as education and experience requirements and the external review of quality control systems by provincial institutes / ordre;
 - (b) within the auditor's own firm, such as policies and procedures intended to promote quality control; to enable the identification of interests or relationships; and the appropriate communication of independence issues and internal accountability procedures such as rotation of personnel, concurring partner reviews and internal inspection / monitoring programs; and
 - (c) within the entity, such as the entity's employment of staff of sufficient calibre and in sufficient numbers to ensure that the auditor would not be requested to perform managerial functions; internal procedures for objective choice in commissioning non-audit engagements; appointment of the auditor by persons independent of management; and a corporate governance structure that provides appropriate oversight and communications regarding the auditor's services.

The entity has a critical role to play in establishing its own safeguards to ensure the

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auditor's independence. The communication of safeguards within the entity would identify whether such safeguards were strong and, if not, how the auditor had implemented compensating safeguards within his or her own firm.

- .32 ♦ *The auditor at least annually should communicate the following matters relating to the auditor's independence in a letter to the audit committee:*
- (a) *Confirmation of the auditor's independence.*
 - (b) *Disclosure of all relationships between the auditor and his or her related business or practice and the entity and its related entities that in the auditor's professional judgment may reasonably be thought to bear on the auditor's independence.*
 - (c) *When the entity is publicly accountable, as described in paragraph 5751.07, disclosure of the total fees charged for audit and for non-audit services provided by the auditor and his or her related business or practice to the entity and its related entities during the last year. Information on components of such fees should be sufficiently detailed to meet the needs of the audit committee. [DEC. 2002 *(9)]*
- .33 The Appendix provides an example of the form of letter under paragraph 5751.32.

FORM AND TIMING OF COMMUNICATIONS

- .34 The auditor's communication with the audit committee of matters that bear on independence would be in a letter as required by paragraph 5751.32. The auditor's communication of other matters required to be communicated by this Section would preferably be in writing. The decision whether to communicate orally or in writing is, however, affected by such factors as:
- (a) the size, operating structure, legal structure and communication process of the entity;
 - (b) the nature, sensitivity and significance of the matters being communicated;
 - (c) the extent to which the recipient of the communication is also involved with the ongoing activities of the entity and thus has first-hand knowledge of the matters being communicated;
 - (d) the extent of ongoing contact the auditor has with the addressees; and
 - (e) the arrangements made with respect to periodic meetings or reporting of significant matters.
- .35 When the auditor communicates in writing matters identified during the financial statement audit, the communication would:
- (a) indicate that it is intended solely for the use of the audit committee to assist it in discharging its responsibilities with respect to the financial statements and is not intended for any other purpose;
 - (b) disclaim any obligation on the part of the auditor to any third party who may rely on

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- it;
- (c) indicate that any communication by the auditor of matters identified during the financial statement audit is a by-product of that audit; and
 - (d) indicate that the audit would not necessarily identify all matters that may be of interest to the audit committee in fulfilling its responsibilities.
- .36 It is usually helpful for the auditor to review with management in advance the information that each intends to communicate with the audit committee, and how this information is to be communicated. Certain matters that are the responsibility of management (for example, those concerning the entity's operations and financial results, and the selection of accounting policies) are best communicated in a report from management on which the auditor may comment. Certain other matters (for example, those concerning audit findings) are best set out in a communication from the auditor on which management may comment. If the auditor disagrees with a report from management or considers it to be misleading or incomplete, he or she would bring that to the attention of the audit committee. It is normally beneficial for the auditor and management to be present for the audit committee discussion of all such communications to be satisfied that each is appropriately addressed.
- .37 It is good practice for the auditor to also meet at least annually with the audit committee without management present as this allows for a full and frank discussion between the auditor and the audit committee. The opportunity to discuss matters "in camera" would be encouraged as a routine practice in order to avoid any sense of conflict with management when these discussions take place.
- .38 The auditor keeps copies of written communications with the audit committee, and notes of audit committee discussions at which the auditor is present, on matters specifically related to the audit of the financial statements. Such notes would be compared to the minutes of the audit committee and differences resolved.
- .39 In determining when to communicate with the audit committee, the auditor is guided by the significance of the specific matter and an assessment of its urgency. Matters that affect the board of directors' approval of the annual financial statements would be communicated prior to such approval. Other matters not affecting that approval are communicated to the audit committee at an appropriate time in relation to the significance or urgency of the matter, the audit committee's regular cycle of meetings, and the need to allow the audit committee members sufficient time to consider important matters prior to a meeting. In some circumstances, the auditor may need to request a special meeting or to communicate directly to the audit committee chair.
- .40 The auditor would consider whether matters communicated as a result of the previous financial statement audit ought to be recomunicated and/or, when appropriate, communicated directly with the board of directors.
- .41 This Section provides guidance to the auditor on communication with the audit

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committee of matters arising from the audit. When no such matters have been identified there is no requirement to communicate this fact. However, the auditor may be asked by the audit committee to make such a communication. When preparing the communication, the auditor would be guided by COMMUNICATION WITH MANAGEMENT OF MATTERS IDENTIFIED DURING THE FINANCIAL STATEMENT AUDIT, paragraphs 5750.17-.18.

- .42 Once the auditor has communicated (or determined that management has communicated) a matter to the audit committee, his or her communication responsibility to the entity is usually at an end. It is not normally the auditor's role to pass judgment on the committee's decision, except to the extent that it affects his or her report on the financial statements. In situations where the auditor considers the audit committee's action inappropriate, the auditor may need to communicate directly with the board of directors. In circumstances where the auditor cannot resolve situations within the entity, the auditor may have an obligation under statute or regulation to report to outside authorities. The auditor may need to seek legal advice concerning the best manner of reporting to outside authorities, in view of the auditor's general obligation to preserve client confidentiality.

APPENDIX

EXAMPLE LETTER RELATING TO ANNUAL INDEPENDENCE DISCUSSIONS WITH AUDIT COMMITTEES

The following example provides a sample letter relating to annual independence discussions with audit committees and confirming that the auditor is independent of the entity in connection with an audit of financial statements under generally accepted auditing standards.

Date

The Audit Committee [or the Board of Directors]

[Entity]

Dear Audit Committee Members:

I have been engaged to audit the consolidated financial statements of [Entity] (the Company) for the year ending December 31, 20...

Canadian generally accepted auditing standards (GAAS) require that I communicate at least annually with you regarding all relationships between the Company and me that, in my professional judgment, may reasonably be thought to bear on my independence.

In determining which relationships to report, these standards require me to consider relevant rules and related interpretations prescribed by the appropriate provincial institute / ordre and applicable legislation, covering such matters as:

- (a) holding a financial interest, either directly or indirectly, in a client;

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- (b) holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client;
- (c) personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client;
- (d) economic dependence on a client; and
- (e) provision of services in addition to the audit engagement.

[Since this company is registered with the US Securities and Exchange Commission, I must also consider additional requirements for independence of auditors contained in relevant legislation and standards of professional conduct in the United States.]

I have prepared the following comments to facilitate my discussion with you regarding independence matters. [After the initial year of reporting, this last sentence might be revised to read: "I have prepared the following comments to facilitate my discussion with you regarding independence matters arising since [Date], the date of my last letter."]

I am aware of the following relationships between the Company and me that, in my professional judgment, may reasonably be thought to bear on my independence. The following relationships represent matters that have occurred from [Date] to [Date].

[Describe any significant relationships or matters bearing on the auditor's independence, and also discuss the appropriate safeguards in place.]

[OR]

I am not aware of any relationships between the Company and me that, in my professional judgment, may reasonably be thought to bear on my independence, that have occurred from [Date] to [Date].

[The total fees charged to the Company for audit services were \$[Amount] and for non-audit services were \$[Amount] during the period from [Date] to [Date]. The Appendix provides an analysis of these services according to the types of services and dollar ranges agreed with you.]

GAAS requires that I confirm my independence to the audit committee. However, since the Rules of Professional Conduct of the Institute of Chartered Accountants of [Province] deal with the concept of independence in terms of objectivity, my confirmation is to be made in that context. Accordingly, I hereby confirm that I am objective with respect to the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of [Province] as of [Date]. 5(10)

[I further confirm that as of [Date] I am an independent public accountant with respect to the Company within the meaning of the Securities Acts administered by the US Securities and Exchange Commission and the requirements of the Independence Standards Board.]

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This report is intended solely for the use of the audit committee, the board of directors, management, and others within the Company and should not be used for any other purposes.

I look forward to discussing with you the matters addressed in this letter at our upcoming meeting on [Date].

Yours truly,

.....

CHARTERED ACCOUNTANT

Endnotes

1 (Popup - Popup)

1. AUDIT OF FINANCIAL STATEMENTS — AN INTRODUCTION, paragraph [5090.03](#), describes the term "those with oversight responsibility for the financial reporting process".

2 (Popup - Popup)

* See explanation of [effective date](#) at the beginning of this Section.

3 (Popup - Popup)

* See explanation of [effective date](#) at the beginning of this Section.

4 (Popup - Popup)

* See explanation of [effective date](#) at the beginning of this Section.

5 (Popup - Popup)

2. These characteristics of accounting information are discussed in FINANCIAL STATEMENT CONCEPTS, CICA HANDBOOK – ACCOUNTING Section [1000](#).

6 (Popup - Popup)

* See explanation of [effective date](#) at the beginning of this Section.

7 (Popup - Popup)

3. "Related business or practice" has the meaning ascribed to it in the Rules of Professional Conduct of the provincial institutes and is synonymous with the term "related functions" in the Code of Ethics of the Ordre des comptables agréés du Québec.

8 (Popup - Popup)

4. When the entity is subject to legislative independence requirements that go beyond the objectivity requirements of the Rules, it would disclose compliance with such requirements.

9 (Popup - Popup)

* See explanation of [effective date](#) at the beginning of this Section.

10 (Popup - Popup)

5. In Québec, the appropriate wording would be "within the meaning of the Code of Ethics of the Ordre des comptables agréés du Québec."