



January 2, 2020

British Columbia Securities Commission  
Alberta Securities Commission  
Financial and Consumer Affairs Authority of Saskatchewan  
Manitoba Securities Commission  
Ontario Securities Commission  
Autorité des marchés financiers  
Financial and Consumer Services Commission (New Brunswick)  
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island  
Nova Scotia Securities Commission  
Securities Commission of Newfoundland and Labrador  
Registrar of Securities, Northwest Territories  
Registrar of Securities, Yukon Territory  
Superintendent of Securities, Nunavut

c/o The Secretary  
Ontario Securities Commission  
20 Queen Street West  
19th Floor, Box 55  
Toronto ON M5H 3S8  
Fax: 416 593 2318  
comments@osc.gov.on.ca

and

M. Philippe Lebel  
Corporate Secretary and Executive Director, Legal Affairs  
Autorité des marchés financiers  
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Québec QC G1V 5C1  
Fax: 514 864 6381  
Consultation-en-cours@lautorite.qc.ca

Dear Sirs and Mesdames:

**CSA Notice and Request for Comment –**

- **Proposed Amendments to National Instrument 52-108 Auditor Oversight**
- **Proposed Changes to Companion Policy 52-108 Auditor Oversight**

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We appreciate the opportunity to provide input on the CSA's *Proposed Amendments to National Instrument 52-108, Auditor Oversight and the related Companion Policy* (the "Proposals"). We generally support the CSA's efforts to establish rules that serve the public interest and improve audit quality through enhanced CPAB access to a component auditor's work. However, we do not believe the proposed requirements will have a significant impact on our global network, therefore our comments are based on our experiences in working with component auditors.

Our firm has, historically in the majority of cases, been able to provide access to foreign component auditor working papers, when requested by CPAB during their inspection, and where the component auditor is part of our firm's network. This access is generally provided, with the consent of the reporting issuer, even though there is not always a regulatory requirement to do so. Therefore, we believe that imposing a regulatory requirement will not have a major impact on our ability to help CPAB gain access to component auditor working papers within our global network.

With respect to the CSA's specific question in the Proposals - as to whether there are specific limitations or concerns with the inclusion of components, where the reporting issuer has the power to direct jointly with another person or company, it is our firm's view that if an entity is jointly controlled by a reporting issuer and a non-reporting issuer, the non-reporting issuer will not be subject to the same restriction in its selection of component auditor. As such, we believe this could cause delays and additional cost to the reporting issuer, in the event the non-reporting issuer does not allow a change in component auditor.

We have a number of specific observations which we believe may help clarify the Amendments to the National Instrument and the related Companion Policy:

- 1) The Proposals outline the expected potential costs to the participating audit firm and reporting issuer in the event that the component auditor does not voluntarily provide CPAB with access, and if the component auditor fails to enter into a CPAB access agreement. We believe that the potential costs of replacing the component auditor may be more significant than what has been suggested in Annex C as it does not consider the cost of the proposal process, the transition costs and the loss of efficiencies that may have been gained in previous audits. The participating audit firm may also incur costs to assess the new component auditor, as well as increased costs related to additional supervision in the period of transition. We believe these costs may ultimately be billed through to the reporting issuer as additional fees.
- 2) In Annex B, there are examples on how to determine the percentage of audit hours spent by, or audit fees paid to, a component auditor on a financial statement audit. We believe there could be some confusion as to whether denominator in the example should be 100 or 80. For example, if 2,200 total hours were incurred to perform the audit of the group and the reporting issuer's auditor incurred 1,000 hours, and the component A and B auditors incurred 1,000 and 200 hours, respectively, based on the interpretation included in the example, the auditor of component B would be considered a significant component auditor, although the work effort based on hours with respect to component B represent less than 10% of the overall effort.



- 3) We are concerned that requiring a change in component auditor may be difficult if the date of receipt of the No-Access Notice is less than 180 days from the previous fiscal year-end. This would require the reporting issuer to replace the component auditor before the audit of the next fiscal year. We believe that by the first 180 days of the fiscal year, the component auditor may have started the planning and at least some audit procedures, resulting in potential additional costs for the reporting issuer. It is our view that if a change of component auditor is required, the participating firm and the reporting issuer should be notified at least 270 days before year-end, to allow for sufficient time and to reduce the risk of additional costs being incurred.
- 4) Annex C states that CPAB has represented that if the proposed rules were in place, component auditors in China, Mexico and Tunisia would be able to enter into a CPAB Access Agreement, if they so choose. It also states that CPAB is of the view that none of the other jurisdictions have any legal impediments to a significant component auditor entering into a CPAB Access Agreement. Since the content of the *CPAB Access Agreement* has not been shared with all the contemplated parties, it is difficult to definitively determine whether that will be the case, as component auditors may have different interpretations of the relevant legislation in that region.
- 5) In some circumstances, component auditors may not be able to fully meet the conditions of the instrument; for example, due to potential conflicts with local laws and regulations. In such circumstances, the recourse under the Proposals would be for the participating audit firm to reperform the audit procedures if allowed under local laws and regulations (including licensing regulations). This may cause the participating audit firm and the reporting issuer to incur significant costs relating to travel and in some cases relating to reperforming procedures that may have already been done by the predecessor component auditor or by the component auditor retained for the purposes of performing the statutory audit, if needed. It may also have an impact on the quality of the audit due to the lack of experience with the local standards and regulations. If the participating audit firm cannot perform the work due to local laws or regulations, then the Proposals provide no recourse.

We would be pleased to discuss our comments or answer any questions that the CSA staff may have. Please do not hesitate to contact Paul Fitzsimon at [paul.fitzsimon@pwc.com](mailto:paul.fitzsimon@pwc.com) or 416 869 2322 or Sophie Gaudreault at [sophie.gaudreault@pwc.com](mailto:sophie.gaudreault@pwc.com) or 416 815 5236 regarding our submission.

Yours very truly,

(Signed) "PricewaterhouseCoopers LLP"

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**Chartered Professional Accountants**