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International Auditing and Assurance Standards Board
International Federations of Accountants
545 Fifth Avenue, 14th Floor
New York, NY 10017

Dear Board Members and Staff:

Sobeys Inc. and Empire Company Limited ("Sobeys" or "we") welcomes the opportunity to comment on the International Auditing and Assurance Standard Board's ("IAASB" or "Board") Exposure Draft, "Reporting on Audited Financial Statements: Proposed New and Revised International Standards on Auditing" ("ED").

Empire through its wholly owned subsidiary, Sobeys, is the second largest food retailer in Canada with over 1,500 supermarkets operating under a variety of banners with annual revenue in excess of $17 billion. Empire common shares are listed on the Toronto Stock Exchange and both companies are required to file quarterly and annual reports as both are publicly accountable entities.

We appreciate that a substantial amount of time and effort has been expended in developing the ED proposals and recognize the challenges of developing proposals that balance the benefit of increased information for users with the costs to preparers of providing that information. Based on our review, it is our opinion that there are fundamental issues that need to be considered and addressed before the ED proposals are implemented which include:

- Disclosure of information not required to be disclosed by the company which could be sensitive in nature;
- Auditor reports could become a source for original information;
- Additional costs associated with the new standard with limited benefit;
- The use of boilerplate language could be misinterpreted to be an issue with respect to the audit as opposed to a key audit matter; and
- Inconsistencies among auditors could result in decisions about key audit matters being made differently which could cause unnecessary confusion for users of the financial statements.

On an overall basis, we continue to support the existing "pass/fail" model that has stood the test of time and is endorsed by the Board in the current proposal. Although we encourage the efforts of the IAASB to improve the usefulness of auditor reporting, we believe that most users will continue to simply ensure a company has received an "unqualified" opinion and rely on management reporting with lengthy auditor reporting simply obscuring the financial statements and distracting users.

*Disclosure of Information Not Required to be Disclosed By the Company*

Critical audit matters would include, not surprisingly, those issues that involve the most sensitive judgments for the company, including items that are not required to be disclosed by the company under existing accounting and regulatory requirements. In the case of internal investigations, for example, the effectiveness of the investigatory process may depend on the assurance of confidentiality for certain communications; in other cases, the information may be competitively sensitive. Requiring disclosure of a critical audit matter is not required to be disclosed by the company changes the disclosure regime for companies without giving due consideration to the policies permitting nondisclosure by the company. Knowing the auditor may be required to disclose confidential information may cause company management to limit their discussions with auditors, and may limit the willingness of audit committee members to hold frank and candid discussions regarding sensitive topics during their meetings. The distressing effect on transparency and communications between the company and its auditors and potentially during audit committee meetings could impede the audit process and potentially result in lower quality audits.

*Auditor Reports Could Become a Source for Original Information*

An essential feature of the reporting system governing public companies is that the company is responsible for disclosure about the company and is responsible for its disclosure controls and procedures, just as it is responsible for preparing its own financial statements. The company's disclosures are made by management through specific policies and procedures, including a disclosure committee review and a comprehensive disclosure policy, and under the oversight of the company's audit committee and full board of directors. The systems of internal control over financial reporting are the responsibility of management as well. The role of the auditor is to attest to certain information provided by management and to report to the audit committee. The current content of the auditor's report on the financial statements of the company, and management's assessment of the company's systems of internal control, reflect the fact that the auditor is not responsible for the financial reporting of specific information concerning the company. Rather, the auditor's role is to attest that overall financial results are free from material misstatements and whether effective internal controls over financial reporting are maintained in all material respects.

The proposals are not intended to change the role of the auditor from attestation to being an original source of disclosure concerning the company; they are intended to require the auditor to discuss matters pertaining to the audit process. We nonetheless believe that requiring the auditor to address critical audit matters in the audit report in the manner contemplated by the proposed standard will, in fact, require the auditor to make substantive disclosures concerning the company and will thus change the role of the auditor in ways that will not benefit companies, auditors and investors.

*The Use of Boilerplate Language Could be Misinterpreted*

In order to avoid "boilerplate" language, we encourage the Board to clarify that routine matters discussed with those charged with governance and comprehensively disclosed in the financial statements may not require identification as a key audit matter because, while they may require substantial audit effort, they do not require significant auditor judgment or give rise to significant audit issues.

We are concerned that some investors may misinterpret the communication of a key matter as indicative of an issue with respect to the quality of the financial statements or as a qualification in the auditor's report (even though the proposed auditor's report would state that the opinion on the financial statements is not modified with respect to any of the key audit matters described). We suggest that additional language be added to the key audit matters section of the auditor's report to explain that key audit matters are not necessarily indicative of a financial statement deficiency.

*Inconsistencies Among Auditors Could Make Different Decisions about Key Audit Matters*

Requiring Auditors to use their judgment beyond current accounting standards for disclosure to determine Key Audit Matters will inevitably lead to differing views on issues between two companies in similar industries with similar fact patterns. This could result in users of the financial statements making incorrect assumptions about the quality of one set of financial statements over another and impact decisions. Auditing firms have for years been trying to come to agreement on accounting standards with no success so it would be inappropriate to believe that this will happen with the new standard.

In conclusion, the ED proposals as currently presented would result in substantial implementation costs, make financial statements more complicated for users to understand and potentially drive economic activity rather than reflect it. Given the difficulties encountered and the lack of benefits expected, especially in comparisons to the costs associated with the implementation .

Yours truly,

Adam Sheparski

Vice President Financial Reporting & Taxation