



CANADIAN PUBLIC ACCOUNTABILITY BOARD  
CONSEIL CANADIEN SUR LA REDDITION DE COMPTES

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**Private & Confidential**

Ms. Jan Munro  
Senior Technical Manager  
International Ethics Standards Board for Accountants  
International Federation of Accountants  
545 Fifth Avenue, 14<sup>th</sup> Floor  
New York, NY  
10017 USA

Dear Ms. Munro,

**Re: Proposed Changes to the Code of Ethics for Professional Accountants Related to Provisions Addressing a Breach of a Requirement of the Code**

The Canadian Public Accountability Board (CPAB) is pleased to comment on the International Ethics Standards Board for Accountants (IESBA) Exposure Draft on Proposed Changes to the Code of Ethics for Professional Accountants Related to Provisions Addressing a Breach of a Requirement of the Code. The independence of the external auditor is fundamental to both audit quality and investor confidence in financial reporting. We are supportive of efforts to strengthen the Code and commend the IESBA for their initiatives in this Exposure Draft.

CPAB is Canada's independent audit regulator and is responsible for overseeing firms that audit Canadian reporting issuers. Our mandate is to promote high quality independent auditing that contributes to public confidence in the integrity of reporting issuers' financial reporting. We accomplish our mandate by inspecting audit firms and audit working paper files which provides us with insight into the application of auditing and independence standards and how they might be improved.

We have provided below our responses to the questions set out in the Exposure Draft.

**1. Do respondents agree that the Code should contain provisions that require professional accountants to address the consequences of a breach of a requirement in the Code? If not, why not?**

We agree with the IESBA's view that any breach of a provision of the Code should be treated as a matter of utmost importance and a professional accountant should be required to take whatever actions that might be available to satisfactorily address the consequences of a breach of a provision of the Code. The proposal to remove the exception for 'inadvertent' violations

emphasizes the seriousness of violations and reinforces the requirement that all breaches must be appropriately addressed.

**2. Do respondents agree with the overall approach proposed to deal with a breach of an independence requirement, including the proposal that the firm may continue with the audit engagement only if those charged with governance agree that action can be taken to satisfactorily address the consequences of the breach and such action is taken?**

We agree with the IESBA's proposal. We believe that those charged with governance, provided there is an independent oversight function, have an important role in the oversight of the audit process and should be appropriately informed so they can discharge their responsibilities. As such, it is important that those charged with governance are satisfied with actions taken by the firm to address any breaches. However, this model relies on a robust and independent governance regime which may vary significantly from country to country.

**3. Do respondents agree that a firm should be required to communicate all breaches of an independence requirement to those charged with governance? If not, why not and what should be the threshold for reporting?**

We agree with the IESBA's view and believe this will enhance the transparency of the firm's analysis and judgments. As stated earlier, those charged with governance need to be informed so as to provide effective oversight of the audit process and discharge their responsibilities.

**4. Do respondents agree that the reasonable and informed third party test should be used in determining whether an action satisfactorily addresses the consequences of a breach of an independence requirement? If not, why not and what should the test be?**

We agree with the principle that the firm should assess whether a reasonable and informed third party would be likely to conclude that the firm's objectivity would be compromised in determining whether action can be taken to satisfactorily address the consequences of a breach. However, any conclusion with respect to the third party test would be a matter of judgment and different professionals may arrive at different conclusions. The IESBA may wish to develop some application guidance to address the third party test.

**5. Do respondents agree that the matters that should be discussed with those charged with governance as proposed in section 290.46 are appropriate? If not, why not? Are there other matters that should be included, or matters that should be excluded?**

We agree that these matters are appropriate.

**6. Do respondents agree with the impact analysis as presented? Are there any other stakeholders, or other impacts on stakeholders, that should be considered and addressed by the IESBA?**

The IESBA's impact analysis appears appropriate.

**7. Would the proposal require firms to make significant changes to their systems or processes to enable them to properly implement the requirements? If so, does the proposed effective date provide sufficient time to make such changes?**

This question would be best directed to firms who are most familiar with their current systems and processes and the time required to implement the proposed changes. Responses will likely vary from firm to firm.

**8. Is the abbreviated version of the framework described in Section 290 for dealing with a breach of an independence requirement suitable for Section 291? If not, what do respondents believe Section 291 should contain?**

We believe the abbreviated version of the framework should be suitable for dealing with the breach of independence requirements of Section 291.

Overall the proposed framework provides auditors with a more robust standard which should result in increasing the transparency of audits and ensuring communications with those charged with governance are effective.

CPAB appreciates the opportunity to provide input to the IESBA on this exposure draft and we would be pleased to expand upon any of the above comments.

Yours very truly,



Brian Hunt, FCA  
Chief Executive Officer