



CANADIAN PUBLIC ACCOUNTABILITY BOARD
CONSEIL CANADIEN SUR LA REDDITION DE COMPTES

150 York Street, Suite 200, Box 90, Toronto, Ontario M5H 3S5
Tel 416.913.8260 Fax 416.850.9235 www.cpab-ccrc.ca

June 15, 2010

Mr. Gary Hannaford, FCA
Chair
Independence Task Force
The Canadian Institute of Chartered Accountants
277 Wellington Street West
Toronto, Ontario
M5V 3H2

Dear Mr. Hannaford:

**Re: Exposure Draft: Independence Standards- Partner Rotation
Consultation Paper: Independence Requirements under Review**

The Canadian Public Accountability Board (“CPAB”) is pleased to comment on the Independence Standards- Partner Rotation Exposure Draft and the Independence Requirements under Review Consultation Paper.

Proposal to adopt the International Code of Ethics for Professional Accountants

The Consultation Paper states that the Independence Task Force (“ITF”) has concluded that it is appropriate to adopt the Code of Ethics for Professional Accountants (the “Code”) issued by the International Ethics Standards Board for Accountants, amended only as appropriate for Canadian specific circumstances. CPAB believes that adoption of the Code in Canada will lead to a significant weakening of independence requirements, which is not in the public interest and may have an adverse impact on audit quality.

Specifically, we note the Code is weaker than the existing Rules of Professional Conduct (“RoPC”) in several areas, including partner rotation, financial interests, loans, financial relationships and certain non-audit services (e.g. accounting and bookkeeping services). In addition the Code, unlike the RoPC, does not require audit committee pre-approval of services. Furthermore, the Code favours a threats and safeguards approach to analyse specific prohibitions which will make it more difficult to apply and enforce than the RoPC. Overall, we believe that the RoPC are a more robust and higher quality set of independence requirements than the Code.

There are certain areas, although relatively few, where the Code is more stringent than the RoPC, such as in areas related to provision of tax services and reporting issuer fees. We encourage the ITF to incorporate these stronger requirements into the existing RoPC.

It is important to note that both the Securities and Exchange Commission (“SEC”) in the United States and the Auditing Practices Board (“APB”) in the United Kingdom also have independence requirements that are more stringent than the Code. These bodies oversee reporting issuers in major capital markets and many Canadian reporting issuers are interlisted in these markets and have to comply with the more stringent requirements. It would have been helpful if the Consultation Paper had further explored the reasons why the SEC and APB have not adopted the Code and why the ITF considered these reasons inappropriate for the Canadian market.

Canadian Specific Modifications

Given the large number of small reporting issuers in Canada, we believe it is appropriate to maintain a threshold below which such entities are not subject to the partner rotation requirements and which allows them to obtain greater assistance from their auditor. In our view the \$10 million threshold remains appropriate and should not be increased.

Partner Rotation

We have concerns with respect to a weakening of the partner rotation requirements by changing them from a five/five cycle to a seven/two cycle. In our view a five/five rotation cycle strikes the right balance between auditor objectivity and relevant knowledge and experience. Under the RoPC public companies that qualify for the \$10 million threshold exemption are not subject to the partner rotation provisions. We see little merit in further relaxing the partner rotation requirements in Canada.

CPAB appreciates the opportunity to provide input on the Exposure Draft and Consultation Paper.

We would be pleased to discuss any of the above comments with you, should you require any further clarification.

Yours very truly,

A handwritten signature in black ink, appearing to read "Brian Hunt". The signature is fluid and cursive, with the first name "Brian" and last name "Hunt" clearly distinguishable.

Brian Hunt, FCA
Chief Executive Officer

cc: Kam Grewal, Vice-President Standards
Canadian Public Accountability Board

