



From the Office of the President & CEO

June 15, 2010

Via electronic mail: independenceed@cica.ca

Independence Task Force
The Canadian Institute of Chartered Accountants
277 Wellington Street West
Toronto, Ontario M5V 3H2

Re: Exposure Draft Comment:
Independence Requirements – Partner Rotation

The Certified General Accountants Association of Canada (CGA-Canada) welcomes the opportunity to comment on the exposure draft related to the independence requirements for partner rotation as prepared by the CICA Independence Task Force.

As you are no doubt aware, CGA-Canada is also a member of the International Federation of Accountants (IFAC), fully supporting the convergence of national and international standards. To that end, CGA-Canada, after a two-year project, fully adopted all of the independence requirements (Sections 290 and 291 of the *Code of Ethics for Professional Accountants*), approved by our National Professional Standards Committee in May 2009, and ratified by our Affiliation Council in October 2009. These newest provisions will come into force for our membership on December 15, 2010.

Within our own environment, the *CGA Independence Standard* recognizes that using the same senior personnel on an audit engagement over a long period of time may create a familiarity threat. Furthermore, for audits of public interest entities (which include all reporting issuers), a key audit partner¹ must be rotated after the pre-defined period of seven years.

These individuals may not participate in the engagement until a further period of time of two years has elapsed. We also recognized that in larger engagements, key audit partners, other than the engagement partner and the individual responsible for the engagement quality control review, may play a significant

¹ Key audit partner is defined as “The engagement partner, the individual responsible for the engagement quality control review, and other audit partners on the engagement team, such as lead partners on significant subsidiaries or divisions, who are responsible for key decisions or judgments on significant matters with respect to the audit of the financial statements on which the firm will express an opinion.”

role in the performance of the engagement and maintaining ongoing relationships with client management. Thus, these provisions also apply to a member who is other than a key audit partner who, during the engagement period provides more than ten hours of assurance services on an engagement, or who is a subsidiary engagement partner. These individuals must likewise be rotated after a period of no more than seven years, with a two-year time out period.

Importantly, the CGA-Canada revisions address the familiarity threat by extending the partner rotation requirements beyond reporting issuers to all key audit partners on audits of public interest entities.

In making these changes, CGA-Canada considered that certain firms may have a limited number of individuals possessing the requisite knowledge and competencies to serve as key engagement partner on public interest entities. We concluded that the requirement of seven years on the engagement team and two years off achieved an appropriate balance between requiring the necessary fresh look and the need for continuity of key individuals, while at the same time maintaining audit quality and stability, leading to the decision to increase the required partner rotation requirements from five to seven years effective with the date of the new independence requirements.

In comparing the CGA obligations with those contained in the exposure draft, we note a couple of significant differences between the provisions demanded of your members and the expectations placed on our own members. Importantly, in the one instance, the CICA's proposal does not consider extending the requirements beyond that of reporting issuers. As the introduction of public interest entity concept was a critical component, representing much of the enhancement and increased rigour added to the July 2009 *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants, we would encourage your professional body to consider doing likewise. While serving to harmonize the ethical provisions between accounting bodies domestically, it would concurrently align the Institute's standards with international ethical standards.

Should you wish to discuss the contents of this comment paper or require further elaboration on any of the items presented herein, you are invited to contact Rock Lefebvre, MBA, CFE, FCIS, FCGA, Vice-President, Research & Standards at rlefebvre@cga-canada.org or Dawn McGeachy, BAccS, FCUIC, ACUIC, FCGA, Director, Public Practice at dmcgeachy@cga-canada.org.

Sincerely,

A handwritten signature in black ink, appearing to read 'A. Ariganello', with a stylized flourish at the end.

Anthony Ariganello, CPA (Delaware), FCGA
President and Chief Executive Officer
CGA-Canada