

November 26, 2012

**Subject: Enhancing Audit Quality: Canadian Perspectives – Auditor Independence – Discussion Paper**

Dear Independence Working Group Members:

The Canadian Securities Administrators (CSA) is an organization of Canada's provincial and territorial securities regulators whose objective is to improve, coordinate and harmonize regulation of the Canadian capital markets. The CSA Chief Accountants Committee (CAC) is comprised of the Chief Accountants from the provinces of Ontario, Quebec, Alberta and British Columbia. We are submitting this letter to you in response to the Auditor Independence Discussion Paper (DP).

We appreciate the opportunity to provide some comments on the DP. We also appreciate the time that Ron Salole, Eric Turner and Melissa Langlois spent discussing the collaborative initiative by the CICA and CPAB, including the DP, with the CAC on October 24, 2012.

We understand that the Independence Working Group (IWG) is planning outreach in order to get the views of Canadian stakeholders. We strongly encourage this outreach, particularly to investors. In contrast to the Auditor Reporting Model Discussion Paper (which included a discussion of the IAASB Invitation to Comment *Improving the Auditor's Report*), currently there are no proposed changes to Canadian independence requirements that relate to many of the issues addressed in the DP. As a result, stakeholders may not take the opportunity to respond to the DP.

We caution against interpreting a lack of commentary on the DP as acceptance of the IWG's views. We also caution against taking the feedback received on the DP combined with the IWG's views as representing a consensus view of Canadian stakeholders.

We agree with the recommendations set out in paragraph 50 of the DP relating to the continued use of the Canadian principles-based approach to evaluating threats to, and safeguards for, the provision of non-audit services. We also agree with the recommendations in paragraph 50 regarding the three differences between the Canadian and SEC/PCAOB prohibitions.

We have not performed an analysis of the changes proposed by the European Commission as mentioned in paragraph 46 and 47 and we note that the DP did not expand on what those are and did not analyze the impact to independence of these additional prohibited services. We also agree with the concerns discussed in the DP relating to joint audits.

We will not comment at this time on the other two recommendations discussed in the DP concerning mandatory comprehensive reviews and audit-only firms. We will continue to

monitor input from Canadian stakeholders. We would be interested in any empirical evidence you gather which supports the IWG's consensus position for a mandatory comprehensive audit firm review by the audit committee or any of the other proposals under consideration.

Finally, we would like to remind the IWG that if the CSA contemplates any changes to securities regulation relating to auditor independence, the CSA will follow its own due processes, including public comment periods.

If you have any questions about our letter, please do not hesitate to contact us.

Yours truly,

**The CSA Chief Accountants Committee**

Carla-Marie Hait  
Chief Accountant  
British Columbia Securities Commission  
(604) 899-6726  
[chait@bcsc.bc.ca](mailto:chait@bcsc.bc.ca)

Lara Gaede  
Chief Accountant  
Alberta Securities Commission  
(403) 297-4223  
[lara.gaede@asc.ca](mailto:lara.gaede@asc.ca)

Cameron McInnis  
Chief Accountant  
Ontario Securities Commission  
(416) 593-3675  
[cmcinnis@osc.gov.on.ca](mailto:cmcinnis@osc.gov.on.ca)

Sonia Loubier  
Chef Comptable  
Autorité des Marchés Financiers  
(514) 395-0337 ext. 4291  
[sonia.laurorite@lautorite.qc.ca](mailto:sonia.laurorite@lautorite.qc.ca)