

December 12, 2011

Office of the Secretary  
Public Company Accounting Oversight Board  
1666 K Street N.W.  
Washington, DC 20006-2803

**Re: PCAOB Rulemaking Docket Matter No. 37  
Concept Release on Auditor Independence and Audit Firm Rotation**

Dear Board Members:

Potash Corporation of Saskatchewan Inc. (“PotashCorp”) appreciates the opportunity to comment on the proposed “Concept Release on Auditor Independence and Firm Rotation” (“Concept Release”), issued by the Public Company Accounting Oversight Board (“PCAOB” or “the Board”).

PotashCorp is a publicly traded Canadian corporation with all shares listed and traded on the Toronto Stock Exchange and the New York Stock Exchange (symbol POT). Ownership is primarily held by institutional shareholders in Canada and the United States.

As the proposed Concept Release is relevant to PotashCorp, we have taken the opportunity to provide both general comments and responses to specific questions raised in the document.

**General Comments**

Potashcorp does not support a move towards mandatory audit firm rotations at this time. Unless empirical evidence can be obtained to show that auditor independence, objectivity and professional skepticism are enhanced significantly by enforcing an audit firm rotation we believe the increased costs (higher fees charged by accounting firms as they learn about new companies) and risks (audit quality may suffer in the first years of an engagement) associated with such a rule would outweigh the benefits.

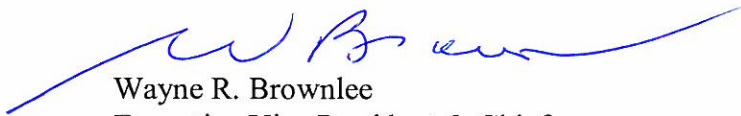
Although we support rules that may increase auditor independence, objectivity and professional skepticism (such as the mandatory partner rotation rule), we prefer to support such rules with empirical evidence showing that the benefits outweigh the costs. While we understand a fresh perspective on the audit may produce benefits it is difficult to see that those benefits would outweigh the costs. We are supportive of the PCAOB commencing a pilot or other program to obtain empirical evidence.

Auditor independence, objectivity and professional skepticism should be a key part of the current firm review process conducted by the Board. We believe the review process and entire results should be made public to obtain maximum effectiveness. Specifically, we believe this would lead to increased diligence on the parts of the firms to ensure appropriate practices and provide audit committees with increased tools by which to evaluate the effectiveness and risks associated with the available audit firms.

Regarding the general and specific questions raised in the Board's Concept Release, our comments are included in the Appendix attached.

We appreciate the opportunity to comment on the proposed Concept Release. If you have any questions or require additional information with respect to these responses, please contact me at 306-933-8797.

Sincerely,



Wayne R. Brownlee  
Executive Vice President & Chief  
Financial Officer

**RESPONSES TO GENERAL AND SPECIFIC QUESTIONS IN THE CONCEPT RELEASE**

*General Questions*

**Should the Board focus on enhancing auditor independence, objectivity and professional skepticism? How significant are the problems in those areas relative to problems in other areas on which the Board might focus? Should the Board simply defer consideration of any proposals to enhance auditor independence, objectivity and professional skepticism?**

In our experience there are no significant problems with auditor independence, objectivity and skepticism. Our management team is challenged about accounting positions, estimates and assumptions used in preparing our financial statements.

We believe the Board should address consideration of auditor independence, objectivity and professional skepticism and arrive at a conclusion, either by proposing enhanced requirements or deciding to maintain the status quo. If the Board does not address the issue fully and firmly now, the current time and effort spent on this process will be lost and the issue will simply present itself again in the future.

In terms of other areas on which the Board might focus we believe improving the auditor review process, including enhancing communications about the reviews with the public companies – the ones directly impacted by the quality of the firm’s processes – are important. The reviews need to be thorough, timely and the results communicated transparently to the stakeholders. The Board should continue to consider auditor independence, objectivity and professional skepticism as they conduct their reviews of audit files and new rules may be appropriately set through this process.

**Would audit firm rotation enhance auditor independence, objectivity and professional skepticism?**

We believe it is unlikely that audit firm rotation would enhance auditor independence, objectivity or professional skepticism; rather we believe it is the individual personnel who apply themselves to the objectives of the audit that ensure independence, objectivity and skepticism are maintained throughout the audit process. As personnel on the audit change (including the engagement partner) there are at least subtle changes as to how the audit is approached and different issues and questions arise. The focus should remain on specific instances where issues have arisen and determining an adequate response to that as opposed to setting up a blanket rule. The US Treasury set up an Advisory Committee on the Audit Profession and in their final report issued October 6, 2008 they included the following recommendation with respect to auditor independence; “Promote the understanding of and compliance with auditor independence requirements among auditors, investors, public companies, audit committees, and boards of directors, in order

to enhance investor confidence in the quality of audit processes and audits.” The recommended focus was on ensuring all stakeholders had improved education on the issues, that all were aware of the issues and that the Board considers this education while conducting their reviews. We are in agreement with this recommendation at this time.

**What are the advantages and disadvantages of mandatory audit firm rotation? If there are potential disadvantages or unintended consequences, are there ways a rotation requirement could be structured to avoid or minimize them?**

The advantage may be a fresh perspective that challenges risks identified, accounting positions or controls in place in different ways than in the past.

The disadvantages are the significant cost in terms of audit fees (as indicated by the 2003 GAO report, a rotation would increase audit costs by more than 20% in each initial year), management’s time and efforts in bringing new auditors on board as well as the potential for a lower quality audit with less experienced auditors during the transition time frame. Further, with the auditor’s focus on transition issues and administration (including cost control), the real benefit of properly identifying risks associated with the financial statements may be overshadowed.

**Because there appears to be little or no relevant empirical data directly on mandatory rotation available, should the Board conduct a pilot program so that mandatory rotation of registered public accounting firms could be further studied before the Board determines whether to consider developing a more permanent requirement? How could such a program be structured?**

Yes we believe a pilot program would be beneficial. Given the potential risks and costs associated with mandatory rotation, we believe it would be prudent to obtain evidence as to the potential benefits and detriments of mandatory auditor rotation so they can be weighed against each other before arriving at a more permanent requirement either way. Without gaining updated empirical evidence, the topic will continue to arise from time to time in future years, causing time and effort to address it each time.

We recognize structuring a program such as this would be challenging. We suggest looking to companies which already have a rotation requirement or policy, to commit to voluntarily participate in a go-forward program over a period of time. Companies which have experienced lack of auditor independence (as evidenced by enforcement actions) or a high number of errors (as evidenced by restatements) could be required to participate in a go-forward program over a period of time. We believe the most significant time, cost and risk would occur within the first 2-3 years of the audit, with efficiencies starting in years 3-4. We recognize efficiencies would continue thereafter potentially in perpetuity, though we believe there would be diminishing marginal returns in later years. We also recognize that complacency in later years could lead to errors and missing new risks as they arise; we believe however instances of these factors could be studied by actual errors that have resulted or that result in the future in instances where the audit firm has been in place for an extended period of time. Therefore, it would be reasonable for the rotation



requirement for those in the pilot program to be set at approximately 4-5 years, to study the effect on risks and errors by the auditors, as well as costs and effects on the clients, in the early years of the audit. While we would not suggest a 4-5 year rotation would be appropriate for a rule, we suggest a 4-5 year term would be appropriate in order for the pilot program to move forward and assess the early years' risk and later years' benefits. Risks related to complacency and lack of objectivity resulting from increased years auditing a client should be investigated by studying actual issues that have arisen or that arise in the future, on any company outside the pilot program.

**According to the 2003 GAO Report, large firms estimated that a rotation requirement would increase initial year audit costs by more than 20 percent. What effect would a rotation requirement have on audit costs? Are there other costs the Board should consider, such as the potential time and disruption impact on company financial reporting staff as a result of a change in auditors? Are there implementation steps that could be taken to mitigate costs? The Board is particularly interested in any relevant empirical data commenter's can provide in this area.**

We have not experienced a change in auditors as we have had the same audit firm performing our audit for over 30 years. We have experienced changes in audit partners, in conjunction with the partner rotation rules mandated by the Sarbanes-Oxley Act, with slightly elevated costs as a result. We expect that there would be significant finance management and staff time used in bringing the new audit firm on board (in terms of educating them about our business and accounting positions).

To mitigate the cost and risk associated with a change in auditors if such change was to be mandated, it may make sense to consider a joint auditor or dual auditor relationship in transition period to ensure a smoother transition. However, if the concern is that continuity of auditors reduces ability to be objective, hence mandating rotation, then the continuity afforded in a joint or dual auditor relationship may not accomplish the desired purpose.

If auditor rotation became mandatory, we expect audit firms would have significantly increased instances of new audits and thus develop more robust and thorough procedures around new engagements to ensure risks were properly addressed, in a manner that is as cost effective and efficient as possible.

**A 2003 report by the Conference Board Commission on Public Trust and Private Enterprise recommended that audit committees consider rotation when, among other factors, "the audit firm has been employed by the company for a substantial period of time—e.g., over 10 years." To what extent have audit committees considered implementing a policy of audit firm rotation? If audit committees have not considered implementing such a policy, why not? What have been the experiences of any audit committees that have implemented a policy of rotation?**

The audit committee has no plans to implement a policy of audit firm rotation. The audit committee considers the pros and cons of seeking a request for proposal for the external auditor role. The decision whether to request other proposals or maintain the current relationship is done on an annual basis.

**Are there alternatives to mandatory rotation that the Board should consider that would meaningfully enhance auditor independence, objectivity and professional skepticism? For example, should broader alternatives be considered that relate to a company's requirement to obtain an audit, such as joint audits or a requirement for the audit committee to solicit bids on the audit after a certain number of years with the same auditor? Could audit committee oversight of the engagement be otherwise enhanced in a way that meaningfully improves auditor independence?**

We do not believe a company's requirement to solicit bids after a certain number of years would accomplish the desired objective of enhancing auditor independence, objectivity and professional skepticism. Fee pressure and audit quality generally conflict.

We recognize joint audits may provide a smoother audit process while bringing in a different perspective. However, we believe this same perspective may be accomplished with rotation of the audit partner or of audit staff, without rotating the entire firm. If the concern is that continuity of auditors reduces ability to be objective, hence mandating rotation, then the continuity afforded in a joint or dual auditor relationship may not accomplish the desired purpose.

We do not believe there are any issues with audit committee oversight, and do not suggest enhancements to audit committee oversight would achieve a better result.

We believe a change in PCAOB focus and oversight is an area the Board should consider to meaningfully enhance auditor independence, objectivity and professional skepticism. Specifically, we believe if the Board were required to communicate more fully and transparently the results of firm audits with auditee companies as well as the marketplace (depending on the level of deficiencies), there would be increased diligence on the parts of the firms to ensure appropriate practices. The requirements under the internal control provisions of the Sarbanes-Oxley Act for companies led to improved internal controls with the disclosure of any and all deficiencies to auditors, and material weaknesses to the marketplace. Similarly, we believe disclosure of any and all deficiencies to auditee companies, and material deficiencies to the marketplace (regardless of whether remediation has yet occurred), we believe auditor internal controls and related objectivity and professional skepticism would be strengthened. Further, publicizing the entire results would provide audit committees with increased tools by which to evaluate the effectiveness and risks associated with the available audit firms.

**Should the Board continue to seek to address its concerns about independence, objectivity and professional skepticism through its current inspection program? Is there some enhanced or improved form of inspection that could better address the Board's concerns? If mandatory rotation were in place, could an enhanced**

**inspection, perhaps focused particularly on professional skepticism, serve as a substitute in cases in which it would be unusually costly, disruptive or otherwise impracticable to rotate auditors?**

We believe the Board should continue to seek to address its concerns about independence, objectivity and professional skepticism through its inspection program.

If mandatory rotation were in place we do not believe there should be any exceptions to the requirement, regardless of whether it is believed the rotation would be unusually costly, disruptive or otherwise impracticable.

### *Specific Questions*

**1. If the Board determined to move forward with development of a rotation proposal, what would be an appropriate term length?**

We believe a term no less than 10 years should be considered.

**2. Should different term lengths for different kinds of engagements be considered? If so, what characteristics, such as client size or industry, should this differentiation be based on?**

There should be no differentiation. If mandatory audit rotation is considered the extra step needed to increase auditor independence, objectivity and skepticism then it should be important enough to implement for all issuer company audits.

**3. Does audit effectiveness vary over an auditor's tenure on a particular engagement? For example, are auditors either more or less effective at the beginning of a new client relationship? If there is a "learning curve" before auditors can become effective, generally how long is it, and does it vary significantly by client type?**

We believe audit effectiveness is generally more affected by the personnel involved. However; given the distraction to the auditors of gaining the knowledge of the business in the early years of an audit, there may be risk that they have less time to maintain skepticism and focus on risks associated with financial reporting. Regardless, if the auditors apply themselves with full engagement to conducting the audit we believe it will be effective regardless of how long the firm itself has been engaged.

**4. Some have also suggested that, in addition to being less effective at the beginning of an engagement, an auditor may be less diligent toward the end of the allowable term. On the other hand, others have suggested that auditors would be more diligent towards the end of the allowable term out of concern about what the replacement auditor might find. Would auditors become more or less diligent towards the end of their term? Does the answer depend on the length of the term?**

See answer to #3.

**5. How much time should be required before a rotated firm could return to an engagement?**

If rotation became mandatory then one rotation cycle should be the requirement.

**6. Should the Board consider requiring rotation for all issuer audits or just for some subset, such as audits of large issuers? Should the Board consider applying a rotation rule to some other subset of issuer audits? For example, are there reasons for applying a rotation requirement only to audits of companies in certain industries?**

The Board should have the same rotation requirement for all issuer audits.

**7. To what extent would a rotation requirement limit a company's choice of an auditor? Are there specific industries or regions in which a rotation requirement would present particular difficulties in identifying an auditor with the necessary skills and expertise? Is it likely that some smaller audit firms might decide to leave the public company audit market due to the level of uncertainty regarding their ongoing client portfolios?**

Our company is headquartered in a relatively smaller market for audit services. There could be the risk of audit staff rotating firms which would limit the intended effect of the audit firm rotation. As well in a smaller market there may be less competition for given audits or the auditors would have to bring in auditors from other markets which would increase the costs further. This may be experienced currently as it relates to partner rotation where limited partners exist in the local marketplace; costs would be exacerbated further if this extended to other personnel as well.

**8. If rotation would limit the choice of auditors, are there steps that could be taken to allow a company sufficient time to transition out of non-audit service arrangements with firms that could be engaged to perform the audit? Are there other steps that could be taken to address any limitation on auditor choice?**

No response

**9. If rotation were required, would audit firms have the capacity to assign appropriately qualified personnel to new engagements? If they do not currently have that capacity, could firms develop it in order to be able to compete for new clients, and would they do so?**

This would likely be a challenge in smaller markets or would increase the cost substantially if outside expertise had to be brought in from different markets. The audit firms should be able to provide a better perspective on their willingness or ability to build capacity.



**10. Would rotation create unique challenges for audits of multinational companies? For voluntary rotations that have taken place, what have been the implementation and cost issues and how have they been managed?**

No response

**11. Would increased frequency of auditor changes disrupt audit firms' operations or interfere with their ability to focus on performing high quality audits? How would any such disruption vary by firm size? For example, would a rotation requirement pose fewer or more implementation issues for small firms than for large ones?**

No response

**12. Would audit firms respond to a rotation requirement by devoting fewer resources to improving the quality of their audits? Would firms focus more on non-audit services than on audit services?**

We expect that audit firms engaged in an audit would provide adequate resources to conduct the audit.

Care would need to be taken regarding rules for provision of non-audit services as compared to timing of possibly performing audit services so as not to leave the company with no options for use of an auditor to rotate to. Further, if the firms are focused on non-audit services the preference may be to retain those non-audit services causing firms to not bid on the company's audit, again risking that the company has no options for use of an auditor to rotate to. If mandatory rotation is required for audit services, we believe it should be required for non-audit services as well to reduce this risk.

**13. Would rotation have any effect on the market for non-audit services? Would any such effect be harmful or beneficial to investors?**

No response

**14. Some have expressed concern that rotation would lead to "opinion shopping," or that in competing for new engagements firms would offer favorable treatment. Others have suggested that rotation could be an antidote to opinion shopping because companies would know that they could not stick with a firm promising favorable treatment forever. Would opinion shopping be more or less likely if rotation were required? If rotation limits auditor choice, could it at the same time increase opinion shopping?**

We do not believe accounting positions should be a factor discussed with potential auditors during the audit selection process. To the extent that management of a company is aware of a position of another firm due to non-audit consulting work that has been done with that client, any such items should be required to be disclosed to the audit

committee prior to the audit committee making their decision. Since the audit committee is independent, we believe they would protect against potential “opinion shopping” if the right information was brought to their attention for consideration in that respect.

**15. What effect would a rotation requirement have on competition for audit engagements? If competition would be increased, how might that affect audit quality?**

No response

**16. Are there any requirements the Board should consider to mitigate any risks posed by rotation? For example, are there enhancements to firms' quality control systems that might address such risks?**

The board could consider a dual auditor or joint auditor relationship for a period near the end and beginning of an engagement time period to ensure the knowledge transfer occurs. This would likely increase the costs of the transfer. However, if the concern is that continuity of auditors reduces ability to be objective, hence mandating rotation, then the continuity afforded in a joint or dual auditor relationship may not accomplish the desired purpose.

If auditor rotation became mandatory, we expect audit firms would have significantly increased instances of new audits and thus develop more robust and thorough procedures around new engagements to ensure risks were properly addressed, in a manner that is as cost effective and efficient as possible.

**17. If the early years of an auditor-client relationship pose higher audit risks than later years, should the Board require firms to provide additional audit supervision and oversight in the first year or two of a new engagement? Should the Board impose such a requirement for auditor changes even if it does not further consider requiring audit firm rotation? If firms are accepting new clients but are unable to perform quality audits for them until several years have passed, should the Board require enhanced client acceptance procedures? What impact would additional requirements of this type have on audit costs?**

Firms should not be accepting engagements unless they have the capacity to conduct an audit properly; therefore, there should be no reason for enhanced supervision or oversight.

**18. If mandatory rotation were required, are existing standards relating to communications between predecessor and successor auditors sufficient? Should additional communications be required? For example, should the outgoing auditor provide the incoming auditor with a written report outlining audit risks and other important information about the company?**

If mandatory audit rotations were required a communication should be expected to ensure knowledge of business operations, issues and risks are adequately communicated and transferred to the new auditor. We recognize the risk associated with the predecessor firm communicating risks to the successor, in terms of potentially biasing the objectivity of the successor in identifying the risks properly. However, if auditor rotation became mandatory, we expect audit firms would have significantly increased instances of new audits and thus develop more robust and thorough procedures around new engagements to ensure risks were properly addressed regardless of what the predecessor had identified.

**19. Are there other audit procedures that should be required to mitigate any risks posed by rotation?**

No response

**20. If the Board moved forward with development of a rotation proposal, should consideration be given to the recommendation for a cause restriction on the company's ability to remove an auditor before the end of a fixed term? Would such a provision be useful? Would there be unintended consequences of such a requirement? Should the Board work with the SEC on implementation of this recommendation? Are there other matters on which the Board should coordinate with the SEC?**

No comment

**21. What other transition issues might arise in the first year of a rotation requirement? How should the Board address these issues?**

No comment