



December 13, 2011

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

**Re: Public Company Accounting Oversight Board Release No. 2011-006
Rulemaking Docket Matter No. 37 – Concept Release on Auditor Independence and Audit Firm Rotation**

Dear PCAOB Board Members,

The Committee on Corporate Reporting of Financial Executives International Canada (FEI Canada) is responding to the Public Company Accounting Oversight Board (PCAOB) Concept Release on Auditor Independence and Audit Firm Rotation. Many Canadian companies are multinational companies as well as United States Securities and Exchange Commission registrants and the proposal in the *Concept Release*, if implemented, would have an impact on them. We appreciate the opportunity to provide comments.

FEI Canada is the all-industry professional membership association for senior financial executives. With eleven chapters across Canada and more than 2,000 members, FEI Canada provides professional development, thought leadership and advocacy services to its members. The association membership, which consists of Chief Financial Officers, Audit Committee Directors and senior executives in the Finance, Controller, Treasury and Taxation functions, represents a significant number of Canada's leading and most influential corporations.

The Committee on Corporate Reporting (CCR) is one of two national advocacy committees of FEI Canada. CCR comprises more than 25 senior financial executives representing a broad cross-section of the FEI Canada membership and of the Canadian economy who have volunteered their time, experience and knowledge to consider and recommend action on a range of issues related to accounting, corporate reporting and disclosure. In addition to advocacy, CCR is devoted to improving the awareness and educational implications of the issues it addresses, and is focused on continually improving the standards and regulations impacting corporate reporting.

FEI Canada CCR fully supports measures to protect public company stakeholders. In our view, mandatory rotation of audit firms is not a measure that would be in the best interests of public company stakeholders and therefore CCR is not supportive of steps to mandate audit firm rotation.

It is not clear to CCR that there is a significant auditor independence issue today. Overall experience from our members support the view, as presented in the *Concept Release*, that the current independent audit process is effective and has improved since the strengthening of auditing rules and standards post-SOX and under the PCAOB. While there remain findings from PCAOB inspections, there is no conclusive evidence that the mandatory rotation of audit firms would necessarily be the solution in situations where there may be a potential auditor independence, objectivity or professional skepticism issue. Other improvement initiatives like enhanced audit staff training, more timely communication of PCAOB findings, and communication of PCAOB findings with the board audit committee could be more effective steps in addressing those PCAOB findings. They are certainly less risky and less costly than the proposed mandatory rotation of auditors and should be considered first.

We agree that a quality independent audit is an important measure to protect public company stakeholders and that an essential element to auditor independence is professional skepticism. The effectiveness of professional skepticism,

however, requires in depth company and industry knowledge which encompasses operational, technical, legal, and competitor aspects as well as the company's standards, policies, processes, systems, and culture. That knowledge and proficiency is gained through the audit engagement and will take time to accumulate. We are concerned that this industry and company proficiency would be severely disrupted, and potentially lost, with mandatory rotation of firms. This would be particularly concerning for larger, multinational companies. We do not believe that this disruption can be sufficiently overcome by mandating administrative steps in knowledge transfer between audit firms or simply increasing auditor time and effort at the outset with commensurate undue costs and significant stress to the audit firms' and companies' staff. There are risks of increased exposure to undetected errors and compromised audit quality while the audit firms climb a steep learning curve. This cannot be in the best interests of the stakeholders and at worst could fundamentally undermine confidence in the role of the independent auditor.

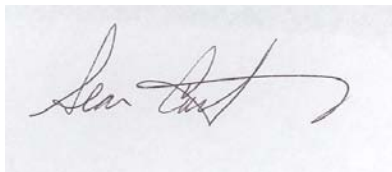
Another important enabler to auditor independence is the mandate of board audit committees. For that reason, we are concerned that mandatory auditor rotation would significantly interfere with board audit committees' responsibility for audit firm selection. Automatic rotation overrides the audit committees' authority on when to recommend the appointment of an audit firm and its tenure. It may also create the unintended consequence of limiting viable alternatives in audit firms, particularly for specialized industries and multinational companies, further constraining the ability of board audit committees.

There are many rules, standards, and processes in place today that are effective in ensuring auditor independence while delivering quality independent audit assessments to stakeholders. Stringent audit firm rules of independence are helpful in ensuring interests of the audit firms and staffs are not intermingled with those of the public company clients. The requirement of audit partner rotation is one good recent example in the strengthening of auditor independence. We also believe that the audit firms themselves would have the most to lose with the integrity and viability of their own firms at stake if auditor independence is not maintained.

In summary, we believe that there are significant risks and costs associated with the proposed mandatory rotation of audit firms and there is no conclusive evidence that mandatory auditor rotation is effective in addressing perceived auditor independence issues. We recommend that prior to any steps to mandate audit firm rotation, the PCAOB conduct further analysis of benefit versus cost to ensure a decision of this nature has a net benefit to public company stakeholders – not a net cost.

Thank you for allowing us the opportunity to respond to this proposal.

Yours very truly,



Sean Carleton
Chair
Committee on Corporate Reporting
FEI Canada