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May 5, 2016

Subject: Draft Revised Governance Guideline

Dear Ms. Beaudoin,

Ernst & Young LLP ("EY") is pleased to provide comments on the draft revised Autorité des marchés financiers Governance Guideline ("Guideline") and we appreciate this opportunity to provide input.

Our comments are focused on Section 7.2 of the Guideline and in particular the following sentence:

"*Based on applicable best practices, the external auditors should: be continually rotated to avoid the presence of situations which could affect their independence and objectivity"*

It is unclear whether the rotation reference above relates to the lead engagement partner and the engagement quality control reviewer (as is required by current Canadian Independence standards for listed entities) or if the rotation reference is also for the audit firm to continually rotate. This element should be clarified in the Guideline.

Audit Partner Rotation

EY supports the mandatory audit partner rotation regime that currently exists for listed entities in Canada (seven years, with a five-year cooling off period). When combined with the quality improvement actions taken in recent years by audit firms as a result of the Canadian Public Accountability Board's (CPAB's) recommendations, we believe this has contributed to enhanced independence, objectivity and professional scepticism. Audit quality has significantly improved in Canada since CPAB was established and this is attributable to the many quality initiatives undertaken by auditing firms registered with CPAB and not solely due to partner rotation. For these reasons we do not believe audit partner rotation requirements should be extended to non-listed entities in Canada as well as when considered from a cost benefit perspective.

If the rotation requirement is maintained in the Guideline, it should clarify how the term "continually" could be interpreted. We also note that there is no transition period indicated in the Guideline and we firmly believe that if the Guideline is not modified for the partner rotation requirement, then transition requirements should be addressed. A partner rotation, if not planned properly, can significantly increase audit risk. When the partner rotation requirement was introduced for listed companies in Canada in 2003 there was a transition period of 2 years whereby the audit engagement partner could remain on the client.

We believe a transition period of longer than 2 years should be indicated in the Guideline in order to avoid entities taking unnecessary risks absent transition rules and asking for an immediate change.

Audit Firm Rotation

If the intent of Section 7.2 of the Guideline is to move to an audit firm rotation regime EY does not believe this to be in the public interest, and this will not contribute to the enhancement of audit quality. In 2013 the Canadian Enhancing Audit Quality Initiative ("EAQ"), a joint initiative of the Chartered Professional Accountants of Canada and the Canadian Public Accountability Board which included participation from prominent business leaders across Canada, concluded that international proposals for mandatory audit firm rotation or mandatory retendering would not contribute to the enhancement of audit quality and that for countries that have adopted mandatory audit firm rotation there is no reliable evidence that mandatory audit firm rotation has improved audit quality.

The EAQ concluded that the audit committee's Periodic Comprehensive Review of the external audit firm ("Review") was the preferred approach as this solution focuses on audit quality and places an onus on the audit committee to consider any institutional familiarity threats created by the cumulative weight of increased audit firm tenure. The Review would focus on issues such as application of auditor scepticism with the aim of enhancing audit quality. Concern was expressed that mandatory audit firm rotation undermines corporate governance and diminishes the role of the independent audit committee.

We understand that the AMF's goal is to ensure proper governance for financial institutions and insurance companies which are not all listed entities in Canada. To ensure that non-listed entities are being audited by auditing firms under the oversight of CPAB, consideration should be given by the AMF to have such a requirement in the Guideline.

Periodic Comprehensive Review

EY believes the Periodic Comprehensive Review of the external audit firm provides the needed focus on audit quality while respecting the important governance role of audit committees, allowing audit committees to determine when and if a change in auditor is appropriate in light of the issuer's particular circumstances and the interests of its shareholders.

We note that the Office of the Superintendent of Financial Institutions Canada (OSFI) supports the EAQ recommendation for audit committees to perform a Periodic Comprehensive review and has asked federally regulated financial institutions to implement this. If this Guideline leads to an audit firm rotation regime this could not only negatively impact audit quality but also lead to practical implementation challenges , for example subsidiaries subject to the Guideline would rotate audit firms whilst the parent entity might not be required to rotate auditors if it is federally regulated resulting in added complexities and potentially higher costs.

In conclusion, EY believes Section 7.2 of the Guideline should recommend audit committees perform a Periodic Comprehensive Review of the external audit firm at least every five years and communicate the results to shareholders as recommended by the EAQ.

We would be pleased to discuss our comments. If you have any questions please contact Kam Grewal, Tel: 416-943-7178, e-mail: kam.grewal@ca.ey.com

Yours truly,

Chartered Professional Accountants
Licensed Public Accountants