

За кожним параметром дослідниками проводиться аналіз і ранжування кожного чинника та розраховується загальний бал. Загальні бали по категоріях «зважаються», що дає можливість точно відобразити цінність нової компанії за критеріями ринку: фінансові показники, сполучуваність товарних рядів і структури присутності на ринку одержують по 25% питомої ваги в загальному підсумку, сполучуваність корпоративних культур і сумісність інформаційних і управлінських систем - по 20%, аспекти державного регулювання - 10%. Потім проводиться зіставлення компанії-мішені з «короткого списку» за сукупністю параметрів. Перелік параметрів не обмежений, а пріоритети визначаються залежно від стратегії компанії-поглинача. Кращій компанії за параметром присвоюється вищий бал, а вага балів визначається на основі встановлених менеджментом компанії-поглинача пріоритетів.

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### **AUDITOR INDEPENDENCE IN CANADA**

Auditor independence goes hand in hand with objectivity, professional skepticism and integrity – characteristics that are integral to the profession.

While we recognize, and support the International Ethics Standards Board for Accountants (IESBA), and indeed require our members to adhere to the CGA Code of Ethical Principles and Rules of Conduct (CEPROC) that meets or exceeds all of the requirements of the IESBA's Code of Ethics for Professional Accountants, this does not mean that we do not have reservations with respect to certain of the independence provisions, or that we do not debate some of the requirements.

The demands on the profession, both internationally and domestically, have changed dramatically since the passage of the Sarbanes-Oxley Act of 2002. The creation of the Canadian Public Accountability Board (CPAB), the (re)introduction of risk-based auditing standards, the introduction of stringent independence requirements, including partner rotation, and the introduction of quality control standards at both the firm and engagement level, are just a few of the recent changes that have served to increase rigour and accountability within the profession.

The CGA independence requirements currently span some seventy-one pages – and these are expected to increase with the introduction of the breach of a requirement provisions. These rules require the lead partner, and other key individuals involved in the engagement, to rotate every five years. They also require an engagement quality control review for any reporting issuer prior to the release of the auditor's report.

These provisions command agreement on all significant judgments and conclusions made, while firms offering services to reporting issuers have the added layer of oversight afforded by the CPAB, in addition to the oversight afforded through their provincial/territorial Affiliate(s).

The clarified ISAs/CASs make very clear to every audit professional the ethical requirements demanded of the profession, as articulated in ISQC 1/CSQC 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements and ISA/CAS 220, Quality Control for an Audit of Financial Statements, and these include independence requirements. Our CEPROC requires the application of a multiplicity of safeguards to mitigate threats to an acceptable level – otherwise requiring resignation from the audit engagement. We believe that these are adequate to satisfy the public's concerns with regard to independence, and that they are sufficient to protect the public interest.

Mandatory firm rotation is not necessarily in the investing public's interest for a number of reasons.

Indeed, mandating the term for partner rotation can often be viewed as causing greater harm than the conditions it intends to protect against. Setting aside for a moment the argument that there

is little empirical evidence suggesting where the bright line of mandatory rotation might reside, problematic issues related to mandatory rotation include:

- identification in recent research that audit quality is diminished by partner rotation, a result that is contrary to the outcome presumably hoped to be achieved;
- loss of efficiency by both audit firms and entities due to the intrinsic learning curve associated with assessing a new environment and training on client systems and processes;
- disruption to both audit firms and entities preoccupied with request for proposal responses and evaluations;
- increased costs for both audit firms and clients during the transition period following rotation.

CGA-Canada supports consideration of alternatives to mandatory partner rotation, except in the case of the largest reporting issuers (for example, the S&P/TSX 60 Index). Excepting these instances, options such as a comprehensive review conducted by the audit committee of the auditor's performance might be one way to address the concerns expressed by securities regulators as they relate to auditor independence.

Such solutions acknowledge the inherent benefits garnered from length of auditor tenure against the costs of rotation.