

Date  
11 February 2004

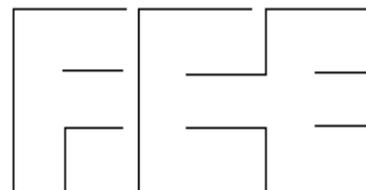
Le Président

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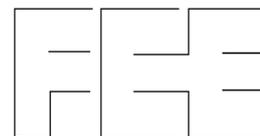


Dear Ms. Munro,

Re: Proposed Revision to Code of Ethics for Professional Accountants – Section 8: Audit Partner Rotation

FEE (Fédération des Experts Comptables Européens – European Federation of Accountants) has reviewed the proposed change to paragraph 8.151 of the Code of Ethics and would like share some observations with you. FEE supports the principle of partner rotation as also enshrined in the EC Recommendation on Statutory Auditors' Independence in the EU.

1. Opening Section 8 after such a short period and only for a single item would send the wrong message.
2. We are of the opinion that the Code of Ethics needs to follow a principles-based approach, with the addition of rules kept to a minimum in order to avoid such rules being circumvented. The need to change 8.151 arises not from the underlying principle: "Using the same lead engagement partner on an audit over a prolonged period of time may create a familiarity threat... and safeguards should be applied in such situations to reduce such threat to an acceptable level", but from the added rules (a) and (b) which literally interpreted could be circumvented. This underlines the fact that for the conceptual approach to be robust, it must not be undermined by detailed rules.
3. We believe that an important issue arises where rules (a) and (b) are added. The internal rule for partner rotation could result in a firm having to resign. This would be because there are no other partners capable of acting as lead partner. This may occur when auditors must be individually recognised by banking or insurance supervisory authorities, or more commonly, when the client's industry is specialised or the firm is an SMP. We believe that addressing only one aspect of 8.151 gives the wrong message under a principles-based approach. Even if the rules in (a) and (b) cannot be respected, other safeguards may be found.
4. We note that the new text refers to "participate in the assurance engagement." It would be better to use the term "audit" as the rotation requirement is in relation to the audit of listed companies only. Using "assurance engagement" can be misconstrued as it may imply a widening of the rotation requirement, which is not intended.



We would be pleased to discuss any aspect of this letter with you and to answer any questions you may wish to raise with us.

Yours sincerely,

David Devlin  
President