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Independent Electricity System Operator
1600-120 Adelaide Street West
Toronto, ON M5H 1T1
t 416.967.7474
www.ieso.ca

Memorandum

To: THE AUDIT COMMITTEE OF
THE BOARD OF DIRECTORS
of the Independent Electricity System Operator

From: Susan Nicholson
Corporate Controller

Date: December 5, 2017

Re: Audit Partner Rotation

Over the past several months the idea of rotating our audit partner has been raised. In order to provide some background for a discussion on this important issue, here is a bit of outside thinking on the topic.

Pros of Audit Partner Rotation:

- Fresh perspective
- Increased independence (mitigates risk of unduly familiar relationships)
- Potential increase to quality as previous decisions will be re-evaluated and the former audit partner knows that his/her work will be looked at again

Cons of Audit Partner Rotation:

- Potentially disruptive (can be mitigated if the rest of the team remains in-tact)
- Requires building new relationships
- Loss of cumulative client knowledge
- Can increase management's time in the short term
- Tends to have lower quality in the first one-two years as the new partner may not be fully up to speed

The pros and cons are balanced; one set of points does not outweigh the other. Ultimately it is a decision based on the requirements and expectations of the Audit Committee.

Susan D Nicholson

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