



September 30, 2021

Ms. Carol A. Paradine FCPA, FCA
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VIA Email: consultation@cpab-ccrc.ca

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Dear Ms. Paradine,

On behalf of Raymond Chabot Grant Thornton LLP and Grant Thornton LLP (together “Grant Thornton”), thank you for the opportunity to provide our views on the potential changes to information disclosed on the results of the Canadian Public Accountability Board’s (“CPAB”) regulatory assessments. The views below represent the combined opinions of the Grant Thornton International member firms operating in the Canadian market.

Existing CPAB assessment process

When evaluated in the context of CPAB’s stated mission to “promote sustainable audit quality through proactive regulatory oversight”, based on our experience, we believe that CPAB’s current inspection process aligns well with its stated mission. Specifically, we believe that CPAB’s regulatory assessment process is rigorous, transparent, executed with professionalism, and has been effective in driving change and improving audit quality. Specifically, we have the following observations that align with the disclosure principles outlined in CPAB’s consultation:

- **Improvement in audit quality:** At Grant Thornton, we understand that our reputation is built on the quality of our work. The results of CPAB’s regulatory inspection process are provided the highest priority through to the most senior levels of our organizations. Carefully considering and leveraging CPAB’s results, we develop an action plan, with transparent accountabilities, aimed at driving sustainable improvements to engagement quality. In our view, this aligns well with protecting the public interest.
- **Timeliness of CPAB’s reporting and remediation of audit deficiencies:** One of the elements that Grant Thornton values most in the CPAB process is its timeliness. It is our view that the timeliness of CPAB’s current regulatory process specifically aligns with serving the public interest. In the model implemented today, any audit deficiencies can be identified and remediated prior to the execution of the subsequent year’s audit. Recognizing nuanced regulatory differences across the globe, this level of timeliness is not always possible in other jurisdictions. We would recommend a formal cost/benefit evaluation of any recommendations that may negatively impact the timeliness CPAB’s current process.

Communication to audit committees (The Protocol)

Since its inception, Grant Thornton has been pleased to participate in the voluntary Protocol for Audit Firm Communication of the Canadian Public Accountability Board (CPAB) Inspection Findings with Audit Committees (the “Protocol”). In our experience, the Protocol has been effective in assisting audit committees in conducting their oversight responsibilities in evaluating the quality and effectiveness of the audits performed.

We would be supportive of CPAB’s Rules being amended to make the sharing of the results of individual audit file inspections with the audit committee mandatory, as this would improve the consistency of information received by audit committees and better equip them to fulfil their governance responsibilities.

Disclosure of the results of CPAB’s regulatory oversight activities and disclosure of enforcement actions

CPAB’s Consultation appropriately identifies the risk for audit firms with a relatively small number of engagements inspected on an annual basis should the disclosure of the results of CPAB’s inspections be publicly disclosed. A single file with a deficiency can result in significant fluctuations in the overall deficiency rate for a given audit firm. We do not believe the additional disclosure provides meaningful incremental information to stakeholders, particularly where the small number of engagements inspected can result in significant variations in deficiency rates and where the disclosures may not include important context around both the nature of the deficiency and the nature of CPAB’s risk-based approach to engagement selection.

In our view, audit quality cannot be defined by a single data point. We question if this proposal may result in the potential for inconsistent or inaccurate interpretation of CPAB’s inspection results across stakeholders of the Canadian capital markets. We believe there is a high risk that the proposed additional disclosure could be taken out of context, which could have unintended consequences to firms providing high quality audits. This has the potential to negatively impact access to audit services of reporting issuers and the public interest overall. It is our view that additional academic research may be warranted in this area before a final recommendation is evaluated.

We also understand and strongly support the need to protect the investing public’s interest. In situations of egregious breaches of professional standards that result in the risk of harm to the investing public, we agree that public disclosures of the enforcement actions should be evaluated. It is our understanding that provisions of such disclosure are provided for in CPAB’s current Rules and legislation. We would be supportive of the development of a disclosure framework, leveraging the existing Rules, that could be consistently applied in CPAB’s inspection process. In our view, public disclosure of enforcement actions regarding instances or events representing the greatest risk of harm to the public interest will achieve cost / benefit balance.

Evaluation of Canadian Capital Markets unique characteristics

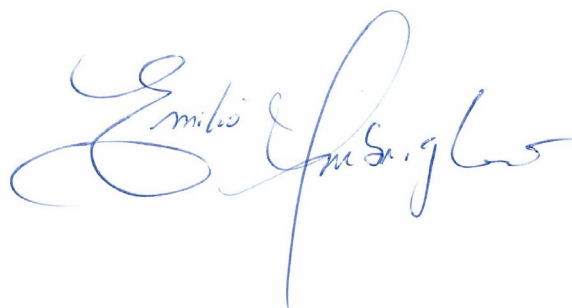
We recommend that all elements presented in the consultation be assessed and evaluated in the context of the Canadian Capital Markets. While there are best practices across the globe that can be leveraged, additional tailoring is likely required in order to ensure that they are considered within the context of our unique domestic capital markets. Just one such example, with existing precedence in Canadian Securities Regulations, is the evaluation of different practices / recommendations for inspection results of venture issuers. As the results of the consultations are summarized and compiled, we would encourage the evaluation of the scalability and the cost/benefit of recommendations.

Thank you again for the opportunity to provide input into this consultation. We would welcome any opportunity for further consultation with CPAB or other stakeholders on the elements of the consultation when needed. As part of our uncompromising commitment to the highest levels of audit quality, we look forward to our continuing dialogue on audit quality in the Canadian marketplace.

Respectfully submitted,



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President and Chief Executive Officer
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