



November 24, 2023

VIA EMAIL

Canadian Public Accountability Board (“CPAB”)  
150 York Street, Suite 900  
Toronto, ON M5H 3S5  
Email: [consultation@cpab-ccrc.ca](mailto:consultation@cpab-ccrc.ca)

**Re: *Request for comment on the Canadian Public Accountability Board’s proposed rule changes (the “Proposal”)***

The Canadian Advocacy Council of CFA Societies Canada<sup>1</sup> (the “CAC”) appreciates the opportunity to provide the following general comments on the Proposal. In line with our comments on the 2021 consultation conducted by the CPAB, we remain strongly supportive of the rule changes in the Proposal and would encourage their adoption in line with the suggested two-phased approach. We believe the revised rules, particularly in relation to enhanced disclosures to reporting issuers and the public more broadly, will contribute positively to investor protection and are critical for the integrity of our capital markets.

Specifically, we are supportive of CPAB’s decision to request a rule change making mandatory the CPAB protocol for the disclosure of reporting issuer-specific significant inspection findings to the respective reporting issuer’s audit committee. We believe this change should be implemented across all reporting issuers, with no differentiation between venture and non-venture reporting issuers, or by any other categorization. This change will provide necessary information to the audit committees of reporting issuers for the execution of their prescribed role and fiduciary duties under law, and will hopefully translate to improvements in the audit committee’s oversight function and overall systemic governance of reporting issuers.

If there is a view that this will be overly onerous or burdensome on venture-listed reporting issuers or a similar other sub-segment of reporting issuers, or that it will affect their ability to retain auditors at reasonable pricing, we would encourage securities regulators to work with listing exchanges to examine the potential for other non-audit

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<sup>1</sup> The CAC is an advocacy council for CFA Societies Canada, representing the 12 CFA Institute Member Societies across Canada and over 20,000 Canadian CFA Charterholders. The council includes investment professionals across Canada who review regulatory, legislative, and standard setting developments affecting investors, investment professionals, and the capital markets in Canada. Visit [www.cfacanada.org](http://www.cfacanada.org) to access the advocacy work of the CAC.

CFA Institute is the global association of investment professionals that sets the standard for professional excellence and credentials. The organization is a champion of ethical behavior in investment markets and a respected source of knowledge in the global financial community. Our aim is to create an environment where investors’ interests come first, markets function at their best, and economies grow. There are 200,000 CFA® charterholders worldwide in 160 markets. CFA Institute has ten offices worldwide, and there are 160 local societies. For more information, visit [www.cfainstitute.org](http://www.cfainstitute.org) or follow us on LinkedIn and Twitter at @CFAINstitute.



assurance standards (such as a review standard) to become an acceptable standard for that certain identified segment of reporting issuers. We are strongly opposed to the introduction of any de facto two-tier audit standard of venture vs non-venture reporting issuers, or by any other similar categorization. We believe this would confuse the investing public and fundamentally violate the widely held conception of the integrity of audit as underpinning the veracity of the disclosure record of reporting issuers. Furthermore, we would view such a change as potentially materially degrading to the integrity of Canada's capital markets in the eyes of the global investment community.

We welcome CPAB's proposal to disclose individual firm inspection reports for every audit firm inspected by CPAB in a given year. We are in agreement with the structure of these individual firm inspection reports as illustrated in Appendix B of the Proposal. We believe that these reports should focus on disclosing any issue that would cause an objective end-user to question the integrity, independence, or validity of the reviewed firm's audits. To this end, we agree with the sample report's "significant findings" threshold, which is defined as a deficiency in the application of generally accepted auditing standards related to a material financial balance or transaction stream. We believe that not every deficiency will or should require public disclosure, and that disclosure of all deficiencies could risk masking the material issues that could legitimately erode public trust in the audit function relating to an issuer or specific firm. We would, however, encourage CPAB to consider expanding the definition of significant findings to include not just deficiencies related to material financial considerations, but also other material issues that may call into question the integrity of an audit, such as conflicts of interest concerns.

With respect to concerns regarding the potential misunderstanding of public inspection reports, we believe the description in Appendix B regarding CPAB's risk-based methodology for choosing files for inspection may help to put such reports in context for end users. As an additional measure to prevent the misappropriation or misinterpretation of inspection reports, we are supportive of CPAB's proposed rule change to prohibit audit firms from publishing or extracting portions of inspection reports without CPAB's consent.

We believe the changes outlined in the Proposal geared towards improving operational effectiveness and administrative practices will have a positive impact on CPAB's operations. The ability to maintain jurisdiction over a participating firm that purports to withdraw its registration during an enforcement action or investigatory process is essential to ensuring that audit firms cannot skirt responsibility by withdrawing their participation with CPAB to avoid exposure. This is a positive change to ensure accountability and is in alignment with other similar regulators such as the Canadian Investment Regulatory Organization in the securities context, which maintains jurisdiction over registered individuals and members for a set period of time after their resignation or termination.

### **Concluding Remarks**

We strongly support the changes contained in the Proposal aimed at increasing regulatory transparency with respect to issues found in CPAB's review of audits conducted by participating audit firms. Integrity and reliability of audit is foundational to



the integrity of and confidence in Canadian capital markets. Information relevant to the work of audit firms trusted with reviewing the financial statements of Canadian public issuers is of great interest to the governing bodies of those issuers, their shareholders, and more widely to various stakeholders in Canada. Ensuring the integrity, consistency and aptitude of the firms conducting those audits and the audits themselves is therefore of the utmost importance.

We thank you for the opportunity to provide these comments and would be happy to address any questions you may have. Please feel free to contact us at [cac@cfacanada.org](mailto:cac@cfacanada.org) on this or any other issue in the future.

(Signed) *The Canadian Advocacy Council of  
CFA Societies Canada*

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