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September 30, 2021

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Canadian Public Accountability Board
150 York Street, Suite 900
Toronto, ON M5H 3S5

Dear Sirs/Mesdames:

CPAB Disclosures Public Consultation

Thank you for this opportunity to provide input on potential changes to the information CPAB publicly discloses about the results of its regulatory assessment of public accounting firms that audit Canadian Reporting issuers.

We understand that CPAB is reviewing its approach to disclosures for several reasons, including:

- Interest from certain stakeholders, including some audit committee chairs of Canadian reporting issuers and investors, in CPAB providing more information.
- Increasing public expectation about access to information from regulators.
- Continued high rates of inspection findings among some Participating Audit Firms raises a consideration of whether additional disclosures will assist in protecting the investing public.
- Prior expression of interest by some audit firms to publicly disclose the results of their regulatory assessments by CPAB.
- Increased disclosure by audit regulators internationally.

Our comments are made giving consideration to CPAB's mission and responsibility to promote sustainable audit quality through proactive regulatory oversight.

Over Arching Consideration

BDO is fully committed to delivering quality audits. We consistently strive to deliver the best audits we can. This our duty to our clients, the public, and the audit profession. Accordingly, we believe it is important to state that any revision to CPAB's disclosure policies will not itself be causative of an increase in our audit quality.

Communication to Audit Committees

The communication that is currently mandated when firms opt into CPAB's voluntary communication protocol is logical and consistent with promoting audit quality. Accurate and quality financial reporting requires collaborative effort by auditors, their clients' management, and their clients' audit committees - the proverbial three-legs of the audit quality stool. When there is a deficiency finding relating to an audit, open and constructive discussion amongst the relevant audit firm and their client's management and audit committee can highlight the need for combined effort to effect future improvement.



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Because of the audit quality benefits described that can result from collaborative efforts by firms and their clients, BDO would be supportive of CPAB's voluntary communication protocol being made mandatory.

Disclosure of Results of Regulatory Oversight Activities

We are supportive of CPAB communicating overall statistical information about the results of its audit firm inspections and audit quality trends. Reasonable anonymization of inspection result findings should be maintained to avoid the dissemination of misleading information, which is unfair to audit committees and audit firms and may be detrimental to competition in the audit marketplace.

We believe that the current restriction on what firms and CPAB can communicate about individual firm inspection results is appropriate to avoid the dissemination of misleading information. For mid-tier and smaller firms, CPAB's inspection samples can be very small and inspection results do not lend themselves to meaningful statistical analyses.

Small-cap reporting issuers do not always have the same means or resources to support quality financial reporting as larger and better capitalized entities. If, contrary to our input above, inspection results are going to be publicly reported, by firm, we believe CPAB should give serious consideration to stratifying its reporting to show findings on audited entities within market capitalization ranges. This would implicitly give some recognition to the shared responsibility between clients and their auditors for quality financial reporting. Reporting without stratification may have the unintended consequence that some of the stronger audit firms completely withdraw from providing audit services to small reporting issuers to the overall detriment of the capital markets and competition.

Disclosures Related to CPAB's Enforcement Actions

Increased disclosure of enforcement actions by CPAB must be approached with great caution. BDO recognizes, however, that there must be accountability if a firm is not committed to supporting quality financial reporting. Robust and quality audits play an important role in our financial system and auditors that consistently fail to render quality audits should be held accountable.

Yours very truly,

A handwritten signature in black ink, appearing to read 'PKramer', written in a cursive style.

Patrick Kramer, CPA, CA
Chief Executive Officer