



Canadian Public Accountability Board  
Conseil canadien sur la reddition de comptes

## CPAB disclosures project update

June 2023

In September 2022 CPAB published [disclosure recommendations](#) stemming from its 2021 public consultation.

The purpose of the public consultation was to gather stakeholder input and invite a dialogue on potential changes to the information that we disclose about the results of our regulatory assessments.

As a result of feedback received, CPAB indicated its intention to make significant changes to the information we disclose about the results of our oversight of participating audit firms<sup>1</sup> (firms) that audit Canadian reporting issuers.

Planned changes included:

- Publish information about significant enforcement actions<sup>2</sup> imposed on firms as a consequence of inspection findings.
- Make the disclosure of reporting issuer-specific significant inspection findings to the reporting issuer's audit committee mandatory.
- Provide additional firm-specific information about the results of our inspections.
- Make public the details of CPAB Inspection Report recommendations where firms have not addressed concerns to our satisfaction.

This document provides a high-level overview of the activities CPAB has completed since September 2022 and provides timing of next steps for this project.

### Disclosure recommendations now implemented

In January 2023 CPAB implemented changes authorized by existing Rules 601 (h) and 416. Specifically, CPAB now publishes:

- (1) Significant enforcement actions imposed on a firm as a consequence of inspection findings.
- (2) Disclosure recommendations which were included in a firm report but not addressed by the firm.

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<sup>1</sup> Participating audit firm means a public accounting firm that has entered into a Participation Agreement with CPAB and is in good standing.

<sup>2</sup> Significant enforcement actions include (reference to CPAB Rule in parenthesis)

- I. Termination of one or more audit engagements (601 (d)).
- II. Prohibition from accepting new reporting issuer clients (601(f)).
- III. Prohibition from assigning a designated professional to audits of reporting issuers (601(g)).
- IV. Sanctions imposed under Rule 601 for breaching an existing requirement, restriction, or sanction.
- V. Termination as a participating audit firm.

Between January 1 and June 15, 2023 there have been three firms subject to significant enforcement actions imposed as a consequence of inspection findings.

Information on CPAB's enforcement process, including a list of participating audit firms subject to enforcement actions imposed based on investigation findings and significant enforcement actions imposed as a consequence of inspection findings, can be found [here](#).

CPAB provides updates on enforcement and other regulatory actions through its **CPAB Bulletin**. Currently approximately 300 individuals are registered to receive the bulletin. If you are interested in receiving this newsletter you can sign up on our [website](#).

In order to address concerns related to maintaining confidentiality of reporting-issuer specific information, CPAB does not name reporting issuers in its disclosures and makes best efforts to exclude specific information that may facilitate the identification of any individual or reporting issuer.

## Rule and legislative change process

Two of CPAB's disclosure recommendations require rule/legislative changes before they can be implemented.

These recommendations are:

- (1) Introduce mandatory disclosure of reporting issuer-specific significant inspection findings to the reporting issuer's audit committee.
- (2) Issue a condensed individual public inspection report for each audit firm inspected by CPAB.

CPAB is working to implement rule changes to facilitate the mandatory disclosure of reporting issuer-specific inspection findings to the reporting issuer's audit committee (the Protocol<sup>3</sup>).

In preparation for a public consultation on these planned Rule Changes, CPAB has been obtaining feedback from a number of stakeholders on potential changes to our rules. We have also been assessing the implications of the changes and identifying any legislative changes that will be required. This includes understanding the impact of planned changes on provincial legislation across Canada.

CPAB is continuing to work towards resolving concerns related to changes to the information we disclose that may conflict with the legal framework in Quebec. CPAB's objective is to have a uniform approach across all of the provinces and territories in Canada. However, differences in provincial and /or territorial legal frameworks may result in variations in our approach across Canada.

CPAB is also working with securities commissions and other parties to amend relevant legislation as required.

## Next steps

CPAB is committed to implementing changes to our public disclosures in a timely manner and plans to commence its public consultation on proposed rule changes in Q3 2023.

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<sup>3</sup> The Protocol sets out how audit firms communicate CPAB's inspection findings to audit committees. Please see the [Protocol](#) for more details.

All stakeholders are encouraged to participate in our public consultation. Please watch for details regarding the timing of the public consultation process on our website in the [disclosure section](#), through the [CPAB express newsletter](#), and through [LinkedIn](#) updates. If you would like to be contacted directly to share your feedback on our proposed rule changes please let us know at [Consultation@cpab-ccrc.ca](mailto:Consultation@cpab-ccrc.ca).

