

November 24, 2023

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**RE: Joint submission on CPAB's September 2023 proposed rule amendments ("Rules Amendments")**

We are a group of annually inspected firms, specifically Dale Matheson Carr-Hilton LaBonte LLP, McGovern Hurley LLP and Smythe LLP (collectively "We" or "this Group"), who provide assurance services focussed on Canada's venture issuer market. Together, we presently audit approximately 520 public companies in Canada. We appreciate the ongoing dialogue with CPAB regarding the proposed rule changes and the changes made to date in response to our comments.

This Joint Submission is in response to CPAB's September 2023 proposed rule amendments.

**Factual, fair and balanced public reporting**

This Group is of the view that there is a need for CPAB to provide the public with factual, fair and balanced reporting in respect to the results of its annual practice inspections of reporting issuer audits conducted by audit firms registered with CPAB. This cannot be accomplished under the existing and proposed CPAB procedures. Decisions on the quality of an inspected audit are rendered by CPAB's Engagement Finding Report Panel (the "**EFR Panel**") without an affected firm:

- (i) having the opportunity to be apprised of the entirety of the case advanced by the CPAB inspection team; and
- (ii) without the firm being granted the right to appear before the EFR Panel to present its position, without ensuring all relevant information is provided to the EFR Panel for consideration, and without enabling the firm to respond to any comments tendered by the inspection team

*before* Findings are rendered and Recommendations for enforcement (if applicable) are determined by the EFR Panel. Under the existing and proposed rule amendments, procedural fairness is not afforded to firms whose audits are viewed by the inspection team as falling below the requisite standards of the profession.

Simply put, firms require the right to know the case to be met and be provided with the right to be heard before a substantive determination is made by the EFR Panel on audit quality.

Furthermore, CPAB's risk based selection approach to determining which audit files will be flagged for inspection does not give rise to a representative sampling of the audits conducted of a firm's reporting issuer client base. Nor are CPAB's inspection findings an accurate reflection of the overall caliber and quality of a firm's audit work performed for the entirety of its roster of reporting issuer clients. Without

proper context, reputational harm arises that may impact the public's trust of a named audit firm, a reporting issuer market segment, or the CPA profession as a whole.

This is even more concerning given the highly subjective nature of an EFR Panel's determination that an identified issue in an audit rises to the level of a significant finding (a material departure from the CPA profession's standards for reporting issuer audits), particularly given the lack of definition of the phrase "significant potential weaknesses or deficiencies".

### **Regulation fit for purpose**

This Group also raises the crucial point that the CPAB rules and the proposed changes fail to take into consideration the nature of the Canadian venture issuer markets, which are subject to differential securities regulation than other reporting issuers.

This Group urges CPAB to address this imbalance.

Consideration should be given to recognizing the unique attributes inherent in the venture issuer segment of the public market, which should lead CPAB to design a customized model for oversight of audits conducted for venture stage reporting issuers.

This Group respectfully submits that these valid concerns ought to be given further consideration by CPAB in order to ensure that the public is accurately informed, and that CPAB's regulatory oversight is fully and fairly transparent to the audit firms over which it regulates.

Sincerely,

Dale Matheson Carr-Hilton LaBonte LLP, McGovern Hurley LLP and Smythe LLP