

## IFIAR 2020 Member Profile – CPAB

<b>1. Jurisdiction</b>	<b>1.1 Insert the name of the jurisdiction in English:</b>  Canada
<b>2. Member<sup>1</sup></b>	<b>2.1 Insert the name of the Member, both in the local language and in English:</b>  The Canadian Public Accountability Board (CPAB) Conseil canadien sur la reddition de comptes (in French)
	<b>2.2 Include relevant contact information, including postal address, telephone numbers, a link to the website and other relevant information:</b>  150 York Street, Suite 900 P.O. Box 90 Toronto, Ontario Canada M5H 3S5 Tel: +1 416-913-8260 Website: <a href="http://www.cpab-ccrc.ca">www.cpab-ccrc.ca</a>
	<b>2.3 Include the basis for establishment of the Member, as well as the legislation or regulations which provide the Member the authority/mandate with respect to audit regulation. Please describe with an appropriate level of detail the mission and responsibilities of the Member with respect to audit regulation:</b>  <i>Establishment</i> CPAB was created by the Canadian Securities Administrators, the Office of the Superintendent of Financial Institutions (Canada) and the Institutes of Chartered Accountants in Canada as part of a regulatory response to perceived deficiencies in financial reporting by reporting issuers. It was incorporated on April 14, 2003 under the <i>Canada Corporations Act</i> and continued under the <i>Canada Not-for-Profit Corporations Act</i> in June 2014.  <i>Responsibilities</i> CPAB’s purpose is to contribute to the public confidence in the integrity of financial reporting of public companies in Canada by effective regulation and by promoting quality, independent auditing. This is accomplished through performance of the activities listed in paragraph 101 of CPAB’s

<sup>1</sup> In the case where there are two or more regulators from the same jurisdiction that have been approved according to Section 2.3 of the IFIAR Charter, they together are considered as one Member. In that case, regulators are requested to include information for both organizations in the Member Profile.

	<p>Rules (found at <a href="https://www.cpab-ccrc.ca/docs/default-source/governance/cpab-rules-en.pdf?sfvrsn=98510e76_8">https://www.cpab-ccrc.ca/docs/default-source/governance/cpab-rules-en.pdf?sfvrsn=98510e76_8</a>).</p> <p><i>Authority</i> The Canadian Securities Administrators' National Instrument 52-108 – Auditor Oversight (NI 52-108) imposes certain requirements on Canadian reporting issuers and on auditors that prepare auditors' reports with respect to the financial statements of reporting issuers. NI 52-108 requires financial statements filed by a reporting issuer to be audited by a 'participating audit firm' (i.e. an audit firm that has entered into a participation agreement with CPAB and thereby becomes subject to CPAB's oversight). A comparable requirement is imposed on audit firms, requiring them to be participating audit firms if they audit the financial statements of a Canadian reporting issuer.</p> <p><b>2.4 Have there been any major changes to the Member's organization or to the governing legislation since completing last year's Member Profile?</b></p> <p><input type="checkbox"/> Yes                      <input checked="" type="checkbox"/> No</p> <p><b>If yes, please describe these changes with an appropriate level of detail:</b></p>
<p><b>3. Governing Body Composition and members</b></p>	<p><b>3.1 Describe with an appropriate level of detail the current composition of the Member's governing body, including the ratio between Board members who are independent from the audit profession and those who are not<sup>2</sup>. The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.</b></p> <p>Consistent with CPAB By-law No. 1, Article 3 as further described below.</p> <p><b>3.2 What are the eligibility criteria / requirements and composition requirements for the members of the governing body?</b></p> <p>In accordance with CPAB By-law No. 1 Article 3, the Board of Directors shall consist of:</p> <ul style="list-style-type: none"> <li>• At least 5 Non-Accountant Directors,</li> <li>• At least 3 Accountant Directors (Professional Accountants) and there shall always be fewer Accountant than Non-Accountant Directors,</li> <li>• At least two directors must have oversight regulatory experience, including at least one Professional Accountant and at least one person with audit oversight regulatory experience.</li> </ul>

<sup>2</sup> An individual is independent of the profession even if he is a CPA, Chartered Accountant, or holder of another equivalent qualification, as long as this individual is not employed by or affiliated to a registered audit firm, nor employed by or affiliated to of a professional accountancy body, nor employed by or affiliated to bodies or entities associated with the audit profession.

	<p>For the purposes of appointment to the Board, CPAB’s By-laws define a “Professional Accountant” as an individual with a professional accounting designation; who is not a sole proprietor, partner, member, director, officer or employee of a participating audit firm; has not been a sole proprietor, partner, member, director, officer or employee of a participating audit firm during the 1-year period prior to appointment; and has relevant satisfactory experience.</p>
	<p><b>3.3. Is each member of the governing body independent from the audit profession? The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.</b></p> <p><input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No</p>
	<p><b>3.4 If the answer to question 3.3 is “No”, is the majority of the members of the governing body non-practitioner?</b></p> <p><input type="checkbox"/> Yes                      <input type="checkbox"/> No</p>
	<p><b>3.5 If the answer to question 3.3 is “No”, which safeguards are in place to provide for the Member’s overall independence from the audit profession?</b></p> <p style="text-align: center;">Not applicable</p>
	<p><b>3.6 Is there a restriction or recusal process that is applicable to members of the governing body of the Member who are current or former auditors/practitioners?</b></p> <p><input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No</p> <p><b>Does this include a “cooling-off” period for former auditors?</b></p> <p><input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No</p> <p><b>If yes to either of the above, please describe:</b></p> <p>In accordance with CPAB By-law No. 1 a Director cannot be a sole proprietor, partner, member, director, officer or employee of any Participating Audit Firm for a 1-year period prior to appointment.</p>
	<p><b>3.7 Other than the governing body, are members of the profession involved in the Member’s organization (including in any inspections, committee or panel role)?</b></p> <p><input type="checkbox"/> Yes                      <input checked="" type="checkbox"/> No</p> <p><b>If yes, please describe their role with an appropriate level of detail, including the ratio between those who are independent and those who are not in the relevant function and whether such role includes decisional or control authority:</b></p>

<b>4. Funding Arrangements</b>	<p><b>4.1 Describe the main funding arrangements of the Member, including the setting and approval of the budget and the fees, if any:</b></p> <p>CPAB derives all of its revenue from "participation fees" paid by Canadian reporting issuers. To facilitate the collection process, CPAB invoices audit firms and the firms in turn bill their reporting issuer audit clients per agreement with CPAB and with the understanding of the reporting issuer. Participation fees are calculated as a percent of reporting issuer's audit fees.</p> <p>Every three years, CPAB develops a strategic plan that outlines strategic priorities for the following three-year period. This strategic plan is approved by the Board of Directors. On an annual basis, CPAB's management develops an operating plan and budget and determines the participation fee percentage required to enable CPAB to recover its annual operating costs and provide a reasonable reserve for contingencies. The operating plan, budget and a proposed participation fee percentage is presented to the Board of Directors for approval.</p> <hr/> <p><b>4.2 Is the funding free from undue influence by the profession?</b></p> <p><input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No</p> <p><b>Please describe with an appropriate level of detail the safeguards in place to prevent undue influence by the profession:</b></p> <p>We do not get fees from any member of the profession directly (the fees are collected by the firms from their reporting issuer clients). None are on our Board, nor is any employee an active member of the profession.</p>
<b>5. Inspection System</b>	<p><b>5.1 Does the Member have the responsibility for recurring inspections of audit firms undertaking audits of public interest entities (PIEs)?</b></p> <p><input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No</p> <hr/> <p><b>5.2 Is this responsibility undertaken directly or through oversight of inspection conducted by another organization?</b></p> <p><input checked="" type="checkbox"/> Directly                      <input type="checkbox"/> Through Oversight</p> <p>CPAB conducts its inspections directly using full time staff and consultants based in our three offices in Toronto, Vancouver and Montreal.</p> <p><b>If through oversight of another organization, please describe with an appropriate level of detail the other organization, its relation to the Member, its role, and the arrangements for oversight:</b></p> <hr/> <p><b>5.3 Please describe with an appropriate level of detail the requirements and practices regarding the frequency of inspections:</b></p> <p>CPAB's Rules 403 and 404 specify the required frequency of inspections of participating audit firms:</p>

	<ul style="list-style-type: none"> <li>• Annually if 100 or more reporting issuer audit reports are issued during a calendar year.</li> <li>• At once every two years if 50 – 99 reporting issuer audit reports are issued during a calendar year.</li> <li>• At least once every three years if less than 50 reporting issuer audit reports are issued during a calendar year.</li> </ul> <p>CPAB has entered into a Memoranda of Understanding with the provincial regulators of public accountants who perform inspections of some of the smaller audit firms. CPAB reviews the provincial inspection reports and arranges for CPAB staff to supplement a provincial inspection if necessary.</p>
<b>6. Audit and Financial Market</b>	<p><b>6.1 Provide the number of audit firms subject to inspections. Include an indication of the number of public interest audits (PIEs) and other audits that fall under the Member’s oversight or mandate.</b></p> <p>As of February 2020, 267 participating audit firms were registered with CPAB and therefore subject to inspection. CPAB’s mandate is limited to the inspection of firms that audit Canadian reporting issuers. There are approximately 7,400 reporting issuers in Canada.</p> <hr/> <p><b>6.2 What are the sizes and market shares of each of the largest audit firms in the Member’s jurisdiction?</b></p> <p>The Canadian member firms and foreign affiliates of the Big 4 global networks audit 64% of Canada’s reporting issuers, representing more than 98% of the market capitalization.</p>
<b>7. Main Other Responsibilities of the Member <u>within</u> the area of Audit Oversight</b>	<p><b>7.1 Please indicate whether the Member has responsibility for tasks other than Inspections within the area of Audit Oversight:</b></p> <p> <input checked="" type="checkbox"/> Registration/Licensing  <input checked="" type="checkbox"/> Audit and/or Ethics Standard Setting  <input type="checkbox"/> Permanent Education of Auditors  <input checked="" type="checkbox"/> Enforcement  <input checked="" type="checkbox"/> Other: <u>Inspections related tasks</u> </p> <hr/> <p><b>7.2 If the Member has the responsibility for <u>Registration/Licensing</u>, please indicate whether this responsibility is undertaken directly or through oversight of Registration/Licensing conducted by another organization?</b></p> <p> <input checked="" type="checkbox"/> Directly                      <input type="checkbox"/> Through Oversight </p> <p>If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedure applied, as well as the role of the Member in these procedures.</p>



	<p>CPAB is responsible for:</p> <ul style="list-style-type: none"> <li>• Requiring remedial action by participating audit firms when necessary or appropriate</li> <li>• Conducting investigations and review proceedings and imposing, where appropriate, requirements, restrictions or sanctions on participating audit firms</li> <li>• Working in close conjunction with professional regulatory authorities on identified matters of misconduct.</li> <li>• Referring matters as appropriate to securities regulators</li> </ul> <p>In accordance with Rule 602 of CPAB's Rules,</p> <p>If as a consequence of an Inspection or Investigation, or otherwise, the Board considers that a Violation Event has occurred, the Board may give notice to a participating audit firm that it proposes to impose requirements, restrictions or sanctions on such firm, which may include one or more of the following:</p> <ol style="list-style-type: none"> <li>a. Additional professional education for some or all of the designated professionals of a participating audit firm;</li> <li>b. The design, adoption or implementation of policies by a participating audit firm to ensure its compliance with the Rules of the Board and Professional Standards;</li> <li>c. Assignment of a reviewer or supervisor to oversee the work of one or more designated professionals of a participating audit firm;</li> <li>d. Termination of one or more audit engagements of a participating audit firm;</li> <li>e. Appointment of an independent monitor, subject to the approval of the Board, to observe and report to the Board on a participating audit firm's compliance with the Rules and Professional Standards;</li> <li>f. Prohibition of a participating audit firm from accepting new reporting issuer audit clients for a period of time;</li> <li>g. Prohibition of a participating audit firm from assigning one or more designated professionals to audits of financial statements of reporting issuers, for a period of time or permanently;</li> <li>h. Public censure;</li> <li>i. Monetary assessment intended to recoup the Board's anticipated cost of monitoring the participating audit firm's compliance with the terms of any requirement, restriction or sanction;</li> <li>j. Termination of a firm's status as a participant and its Participation Agreement; or</li> <li>k. Other remedial actions.</li> </ol> <p><b>7.6 If the Member has the responsibility for other tasks within the area of Audit Oversight, please describe with an appropriate level of detail:</b></p>
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<b>8. Main Other Responsibilities of the Member <u>outside</u> the area of Audit Oversight</b>	<b>8.1 Please describe with an appropriate level of detail whether the Member has responsibility for tasks outside the area of audit oversight such as Supervision of Financial Reporting or Securities Regulation:</b>
<b>9. Major Events and Activities</b>	<b>9.1 Describe any recent major events and activities:</b>  <p>In January 2019 CPAB published its strategic plan for 2019-21. The strategic commitments outlined in this strategic plan include:</p> <ul style="list-style-type: none"> <li>• Cultivate a proactive, adaptive and innovative culture that elevates our regulatory effectiveness.</li> <li>• Drive targeted, systemic changes to accelerate audit quality improvements</li> <li>• Impact how the future audit is performed and regulated.</li> <li>• Influence global audit quality consistency.</li> </ul> <p>A significant focus continues to be on testing and evaluating audit firm quality management systems and recommending improvements to drive consistent, high quality audits.</p>