



December 14, 2023

Canadian Public Accountability Board (CPAB)
150 York Street, Suite 900
Toronto, ON
M5H 3S5
consultation@cpab-ccrc.ca

Dear Sirs & Mesdames,

Re: Canadian Public Accountability Board's (CPAB) request for comment: proposed rule changes

The Canadian Coalition for Good Governance (CCGG) welcomes the opportunity to provide the Canadian Public Accountability Board (CPAB) with comments regarding proposed rule changes to facilitate implementation of CPAB's enhanced disclosure recommendations through targeted changes to CPAB's Rules.

CCGG's members are Canadian institutional investors that together manage approximately \$5.5 trillion in assets on behalf of pension funds, mutual fund unit holders, and other institutional and individual investors. CCGG promotes good governance practices, including the governance of environmental and social matters, at Canadian public companies and assists institutional investors in meeting their stewardship responsibilities. CCGG also works toward the improvement of the regulatory environment to best align the interests of boards and management with those of their investors and to increase the efficiency and effectiveness of the Canadian capital markets. A list of our Members is attached to this letter.

GENERAL COMMENTS

CPAB is Canada's independent audit regulator. It oversees accounting firms that audit Canadian reporting issuers. Pursuant to Canadian Securities Administrators' National Instrument – 52-108 Auditor Oversight, auditors of reporting issuers are required to be registered with CPAB and reporting issuers are required to issue financial statements that have been audited by a CPAB participating firm. CPAB conducts audit quality assessments through file inspections and quality management assessments of audit firms.

Through a series of public consultations beginning in 2021, CPAB gathered stakeholder feedback to inform potential changes to CPAB's Rules including with respect to disclosure of the results of its final inspection report for a participating audit firm.

One significant disclosure-related rule change CPAB is proposing is to make annual public disclosure of audit firm inspection reports for every audit firm inspected by CPAB in a given year. Additionally, CPAB is also proposing a rule change to implement mandatory disclosure to audit committees by audit firms of the CPAB annual public report and of any significant CPAB

inspection findings report made in respect of the reporting issuer that the audit committee oversees.

The proposal is to make mandatory the currently voluntary disclosure regime in the CPAB Protocol for the Audit Firm Communication of CPAB Inspection Findings with Audit Committees.

CPAB notes in the consultation document, that in response to the 2021 consultation both audit committee chairs and investors were supportive of the proposal to make disclosure to the audit committee mandatory.

CCGG is supportive of enhanced disclosure and transparency to audit committees of a reporting issuer of any CPAB inspection findings related to the audit of that reporting issuer. External auditors are required to report directly to the audit committee and oversight of the external auditor is one of the key responsibilities of an audit committee.¹ There are important implications for the governance of a reporting issuer if an audit committee is not aware of significant inspection findings made in respect of the audit conducted by its external auditor. Such disclosure should not be voluntary and at the discretion of the audit firm.

We thank you for your review and consideration of this letter. If you have any questions regarding the above, please contact our Chief Executive Officer, Catherine McCall, at cmccall@ccgg.ca or our Director of Policy Development, Sarah Neville at sneville@ccgg.ca.

Yours truly,

'Bruce Cooper'

Chair
Canadian Coalition for Good Governance

¹ OSC, National Instrument 52-110 – *Audit Committees*, para 2.2 and 2.1(3).

CCGG Members 2023

- Alberta Investment Management Corporation (AIMCo)
- Archdiocese of Toronto
- BlackRock Asset Management Canada Limited
- BMO Global Asset Management Inc.
- Burgundy Asset Management Ltd.
- Caisse de dépôt et placement du Québec
- Canada Pension Plan Investment Board (CPPIB)
- Canada Post Corporation Registered Pension Plan
- Capital Group Canada
- CIBC Asset Management Inc.
- Colleges of Applied Arts and Technology Pension Plan (CAAT)
- Connor, Clark & Lunn Investment Management Ltd.
- Desjardins Global Asset Management
- Electrical Industry Pension Trust Fund of Alberta
- Fiera Capital Corporation
- Fondation Lucie et André Chagnon
- Franklin Templeton Investments Corp.
- Galibier Capital Management Ltd.
- Healthcare of Ontario Pension Plan (HOOPP)
- Hillsdale Investment Management Inc.
- Investment Management Corporation of Ontario (IMCO)
- Industrial Alliance Investment Management Inc.
- Jarislowsky Fraser Limited
- Leith Wheeler Investment Counsel Ltd.
- Letko, Brousseau & Associates Inc.
- Lincluden Investment Management Limited
- Manulife Investment Management Limited
- NAV Canada Pension Plan
- Northwest & Ethical Investments L.P. (NEI Investments)
- Ontario Municipal Employee Retirement System (OMERS)
- Ontario Teachers' Pension Plan (OTPP)
- OP Trust
- PCJ Investment Counsel Ltd.
- Pension Plan of the United Church of Canada Pension Fund
- Provident10
- Public Sector Pension Investment Board (PSP Investments)
- QV Investors Inc.
- RBC Global Asset Management Inc.
- Régimes de retraite de la Société de transport de Montréal (STM)
- RPIA
- Scotia Global Asset Management
- Sionna Investment Managers Inc.
- SLC Management Canada
- State Street Global Advisors, Ltd. (SSgA)
- Summerhill Capital Management
- Teachers' Pension Plan Corporation of Newfoundland and Labrador
- TD Asset Management
- Teachers' Retirement Allowances Fund
- UBC Investment Management Trust Inc.
- University Pension Plan Ontario (UPP)
- University of Toronto Asset Management Corporation (UTAM)
- Vestcor Inc.
- York University Pension