

# ALBERTA SECURITIES COMMISSION

## RECOGNITION ORDER: AUDITOR OVERSIGHT ORGANIZATION

Citation: Re Canadian Public Accountability Board, 2022 ABASC 99

Date: 20220722

### Canadian Public Accountability Board

#### Background

1. The Canadian Public Accountability Board (**CPAB**) has applied to the Alberta Securities Commission (the **Commission**) for recognition under section 64.1 of the *Securities Act* (Alberta) (the **Act**).
2. Based on the application, which includes CPAB's By-laws and Rules, as well as representations, acknowledgements and undertakings made by CPAB to the Commission, the Commission is satisfied that the recognition of CPAB will not be prejudicial to the public interest.

#### Interpretation

3. Terms defined in the Act, National Instrument 14-101 *Definitions* and National Instrument 52-108 *Auditor Oversight* have the same meanings when used in this order.

#### Order

4. The Commission recognizes CPAB as an auditor oversight organization under section 64.1 of the Act on the following terms and conditions:
  - a) CPAB complies with the *Canadian Public Accountability Board Act (Ontario), 2006* (the **CPAB Act**).
  - b) CPAB provides to the Commission a copy of the certificate required by the CPAB Act to be submitted to the Ontario Securities Commission (the **OSC**) by the CPAB Council of Governors, at the same time that certificate is delivered to the OSC.
  - c) CPAB discloses to the Commission all issues arising from each annual assessment by the OSC of the CPAB annual report, as required by the CPAB Act, when, and to the extent that, CPAB is aware of those issues.
  - d) Subject to paragraph (e) herein, CPAB provides the Commission with 30 days' advance written notice of any proposed material changes to any of the information in its application for recognition as an auditor oversight organization.
  - e) The Commission's prior approval is required for any changes to the following:
    - (i) CPAB's Rules
    - (ii) CPAB's form of Participation Agreement for Participating Audit Firms; and

- (iii) the assignment, transfer, delegation or outsourcing of the performance of all or a substantial part of CPAB's auditor oversight functions or responsibilities.
- f) Notwithstanding paragraph (e), Commission approval of changes to CPAB's Rules or CPAB's form of Participation Agreement for Participating Audit Firms will not be required for changes that are administrative or logistical, changes to minor procedural rules, or changes addressing typographical, formatting, grammatical, gender or spelling errors, provided any such change is not substantive or intended to materially change the administration of CPAB's inspection program (**Housekeeping Changes**).
- g) Where possible, CPAB will seek the Commission's consent prior to completing any transaction that would result in CPAB:
  - (i) discontinuing, ceasing, suspending, interrupting or winding-up all or a significant portion of its operations; or
  - (ii) disposing of or alienating all or substantially all of its assets.
- h) CPAB promptly notifies the Commission in writing, and includes the names of relevant reporting issuers and audit firms, when it:
  - (i) reasonably believes that a violation or series of violations may have occurred by a Participating Audit Firm of Professional Standards or CPAB's Rules relating to an audit or audits of one or more reporting issuers that, in CPAB's opinion, creates a heightened risk to the investing public;
  - (ii) advises a reporting issuer that it should seek Commission staff's views about any matter;
  - (iii) becomes aware that a reporting issuer will be re-filing annual financial statements, an interim financial report, or re-stating or potentially re-stating financial information for comparative periods in annual financial statements or an interim financial report, for reasons other than the retrospective application of a change in accounting standard or policy, or a new accounting standard;
  - (iv) terminates the status of any audit firm as a Participating Audit Firm because of the firm's non-compliance with its Participation Agreement with CPAB; or

- (v) receives information that suggests a reporting issuer may have materially misstated its annual financial statements or interim financial report, or otherwise breached securities legislation.
- i) On a semi-annual basis, CPAB reports to and discusses with the Commission:
    - (i) its plans for inspections of Participating Audit Firms as part of its annual review program;
    - (ii) the general results of inspections CPAB has conducted as part of its annual review program since its last report to the Commission; and
    - (iii) any issues related to sub-paragraphs (i) or (ii) above that in CPAB's opinion may be relevant to assessing compliance with securities legislation.
  - j) CPAB promptly:
    - (i) notifies the Commission of any plans to conduct a review of one or more Participating Audit Firms, or the audit files of one or more reporting issuers whose principal regulator is the Commission, with respect to a particular industry, issue or segment of disclosure (**Targeted Review**) where the Targeted Review is not part of CPAB's annual review program, and provides relevant information to the Commission in respect of the planned Targeted Review;
    - (ii) reports to the Commission the results of the Targeted Review; and
    - (iii) reports to the Commission any issues related to sub-paragraphs (i) or (ii) above that in CPAB's opinion may be relevant to assessing compliance with securities legislation.

**Protocol**

5. Notice and communications requirements shall be effected in the manner set out in the protocol attached as Appendix A hereto.

This order takes effect on July 22, 2022.

**For the Commission:**

*"original signed by"*

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Tom Cotter  
Vice-Chair

*"original signed by"*

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Kari Horn  
Vice-Chair

## APPENDIX A

### Paragraphs 4(d) and (e)

Upon receipt of any notice or request required under paragraphs 4(d) and (e), the Commission will conduct a coordinated review of the materials with the relevant members of the Canadian Securities Administrators (CSA) through the CSA's Chief Accountants Committee, and will provide a response in as timely a manner as practicable.

### Paragraph 4(f)

Prior to being made, proposed Housekeeping Changes will be provided to the Commission for its review to assess the appropriateness of the categorization of the Rule change as a Housekeeping Change. Within ten business days from the date that CPAB submits the change, the Commission will advise if it is of the opinion that the Rule change is not a Housekeeping Change. If the Commission determines that the Rule change is not a Housekeeping Change, the Commission will advise CPAB whether it approves of the change as soon as practicable.

### Paragraph 4(h)(i)

When CPAB provides written notification of a violation or series of violations of Professional Standards or CPAB's Rules that may create a heightened risk to the investing public, as required by paragraph 4(h)(i), it will include:

- a) a statement that the information is being provided in connection with paragraph 4(h)(i) of the CPAB Recognition Order issued by the Commission;
- b) a description of the particulars of the conduct in question, Professional Standards and/or CPAB Rules violated and the name of the audit firm(s);
- c) if CPAB has become aware of the violation or series of violations as a result of inspecting an audit firm;
- d) the name(s) of reporting issuer(s) whose audit files CPAB inspected, and a general description of the situation giving rise to CPAB's identification of a violation or series of violations that may create a heightened risk to the investing public;
- e) any further inspection procedures CPAB intends to perform or actions CPAB anticipates taking against the audit firm(s);
- f) any significant information requested from the audit firm(s) that remains outstanding; and
- g) any other information that is pertinent to understanding how CPAB plans to address the violation or series of violations.

Paragraph 4(h)(i) of the recognition order requires CPAB to promptly notify the Commission of specified violations when CPAB reasonably believes there is a violation. This may occur before CPAB completes its inspection of an audit firm.

#### **Paragraph 4(i)**

The semi-annual discussions required by term 4(i) of the order will normally occur during October and February. At these meetings, among other things, CPAB staff will discuss the specific audit firms that are subject to a remedial action referred to in section 5 of National Instrument 52-108 *Auditor Oversight*.

#### **Paragraph 4(j)**

CPAB will meet with ASC staff at the planning stage and at the results stage of a Targeted Review of Alberta reporting issuers, which review is not part of CPAB's annual inspection program, as follows:

- a) at the planning stage, CPAB staff will describe the risks or problems that the review is targeting, the audit firms and the number and nature of reporting issuer audit files that CPAB will inspect;
- b) once CPAB has completed its inspections for a targeted review, CPAB staff will meet with ASC staff promptly to provide a summary of the review results, including the nature of the findings and any systemic issues identified; and
- c) CPAB will disclose the audit firm name, reporting issuer name, and specific Engagement Findings Report Type 1 findings when a violation or series of violations fall within term 4(h)(i) of the recognition order.

While the information delineated above may be provided verbally, ASC staff may require that some of this information, or further details, be provided in writing. The obligations herein will be subject to any restrictions imposed by other applicable laws.

#### **ASC staff contacts**

CPAB will direct the communication required by terms of the order to the following ASC staff:

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|---|--------------------------------------|
| Terms 4(b), (c), (f), (h), (i) and (j): | Chief Accountant                     |
| Terms 4(d), (e) and (g):                | Chief Accountant and General Counsel |