



Audit Quality Report 2021

Accelerating the quest for quality

To our stakeholders:

For almost two years, the business community has stared down the unprecedented. Even now, as we transition from asking what now to wondering what's next, uncertainty abounds. It's at times like these that high-quality auditing is most critical.

Audits provide the trust that makes business work. Company leadership, governing bodies, lenders, investors, and stakeholders: they all rely on credible financial statements. Capital markets as a whole depend on the audit—and on the confidence it instills in financial information.

That's why we see audit quality as a constant quest to improve. Audit quality is a mindset, founded on accountability and activated by curiosity. Quality shapes how we go about our jobs, how we interact with each other, and how we relate to our clients.

We continue to enhance our processes, advance our culture, and innovate our technology stack. Even the scope of audit quality is expanding to meet new and complex areas of reporting, such as environment, social, and governance (ESG). And this very report takes a step on our own quality journey as a firm: it's our first audit quality report to you, our stakeholders.

Journeys are top of mind for us right now. We celebrated 100 years as a firm in 2021, so we're thinking about where we've been and how far we can go. We've also had the opportunity to ponder our core values.

Those values have sustained us during the pandemic. When our teams went virtual, we used our mindset of quality to guide our response and inspire our teams.

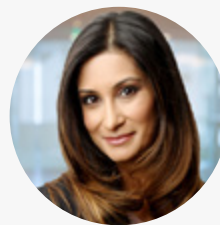
In this audit quality report, you will read about how we infuse quality throughout our audit operations. We invite you to reach out to us with any questions. Join us as we accelerate our quest for audit quality.



Pat Kramer
Chief Executive Officer



Daphna Smuckler
Managing Partner,
Assurance & Accounting



Nazia Lakhani
Head of Quality and Assurance
Standards Partner

Contents





“Every day, in everything we do, we work to inspire confidence in financial information and the ecosystem it supports—investors, lenders, capital markets, and entrepreneurial businesses. Our clients expect the highest quality audit of their financial statements, and we demand it of ourselves. That signed audit report packs a lot more behind it than just a signature.”



Daphna Smuckler
Managing Partner, Assurance & Accounting



Our people and culture

Building an unrivalled talent community

"The secret sauce of our audits is really our people. As individuals and as highly collaborative teams, our professionals create a culture of quality that's second to none."



Pat Kramer
Chief Executive Officer





Our people are the true engine of our audit and the keepers of its quality. It's not just their credentials and accountability. It's their openness and curiosity and collaboration. Organizations often struggle to unpack their culture, but we know what we have at BDO.

Quality starts right at the top—and doesn't end there

When our senior leaders talk about quality, they mean it. Our audit professionals know leadership is serious by the cadence of communications on the topic. Leadership cascades the message through every layer of our team: from our CEO to the executive team ... down to our most junior team members.

Our tone at the top is multifaceted. For us, a high-quality audit includes taking care of our people—and letting them know to take care of themselves. Our staff see these values in action. We manage the workload of our talent and strive to empower them to raise their hand if an audit needs more resources than expected.

We protect our culture and invest in it, because we know how elusive it can be. We also know its value. Our culture guided us into a world of virtual audit, and it helps us retain and recruit high-performing talent.

Our people build their careers on a broad base

One of our secret ingredients is the varied experiences our teams receive as they build their careers. While many of our people specialize as they progress, they start with a broad base of clients and industries. Not only does this allow them to find the areas that interest them—it helps increase the diversity of perspectives we bring to our audits.



We surveyed our people to understand the role of audit quality in their work at BDO.

Here's what they said:

98.5%

"I believe I am personally responsible for the delivery of quality on an engagement."

97.5%

"I understand what is expected of me with respect to quality on an engagement."

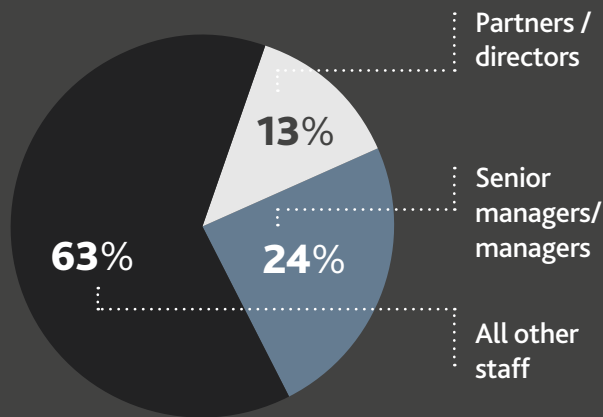
96.5%

"It is clear to me that quality is valued in my organization."



Meet the professionals who make up our audit teams

Composition of our practice:



293



of our professionals volunteer their time as directors or officers of non-profits



New partners who are female:

56%

Women on A&A Executive Leadership Team:

40%

Women sitting on BDO Canada Board:

44%

New interns/ co-ops:

273



New hires:

649



Years of service:

Overall (average years)

7.5

Manager level and above (average years)

12.5

10+ years

27%



Team diversity

Composition of our Accounting & Assurance practice

Indigenous people:
2%



Identify as women:
58%



Racialized people:
21%



Persons with disabilities:
1%



Get to know BDO audit culture

How we foster diversity and inclusion

We are committed to an inclusive workplace. Some actions we have taken:

- ▶ Implemented unconscious bias training for our staff, with enhanced training for those involved in the hiring process
- ▶ Increased diversity in our hiring teams
- ▶ Created an Inclusion, Equity and Diversity Advisory Council to help embed values into all our talent decisions. Diversity pillars: women, indigenous communities, people with disabilities, visible minorities, and LGBTQ+
- ▶ Rolled out Velocity MONTHLY, a program of live and on-demand sessions that supports women who aspire to lead in the workplace

"Inclusion and diversity isn't a line item—and it's not just the right thing to do. It goes to the core of what our teams are all about. The more inclusive we are as a company, the stronger we'll be."

Giselle Bodkin
Chief Inclusion, Equity and Diversity Officer



"I've had so many opportunities to carve out the career I want at BDO. Firm leaders are really engaged in finding out what you're good at and what you enjoy. In 2019, I moved to a BDO office in the UK, and my people leader supported me throughout the entire process.

Working overseas was incredible. I received a first-hand look at the strong audit quality environment in the UK—plus I gained exposure to new responsibilities and a new market. Now I've brought those experiences back to Canada in a new role that helps our teams achieve high-quality audits."

Lauren Vail
Senior Manager, Accounting & Assurance

"The firm's coaching program goes way beyond technical skills. It has helped me grow into a better professional, a more well-rounded auditor, and a passionate advocate for quality."

Lauren Benamor
Senior Accountant, Assurance & Accounting





Get to know BDO audit culture

Our world-class training resources

- ▶ **BDO Learn:** Our online learning platform focuses on core audit skills. With over 500 courses, the platform is the go-to resource for our professionals. Courses are updated every year to reflect the latest changes in accounting and auditing standards and tools.
- ▶ **Live events:** We turned to remote training during the pandemic—seamlessly and efficiently. Our annual Assurance & Accounting conference connected the team from coast to coast in one virtual space. Interactive and informational, the conference generated extraordinary engagement among the 800-plus partners and managers who attended.
- ▶ **Growing beyond core audit skills:** If our people want to develop their competencies outside their core audit skillset, they can almost certainly find what they need in our exhaustive library of supplementary courses. Popular areas include:
 - **Digital Foundations**, featuring top-flight resources designed to keep our teams up-to-date on all things digital, from today's technologies to tomorrow's new ideas
 - **Practical Leadership**, with applied guidance to help our people develop their leadership skills at every stage of their career

Professional development designed for real life

The training programs we provide to our people encompass both personal and professional growth. From the moment we onboard new hires, we give our talent the in-house support they need to expand their knowledge, advance their careers, and elevate audit quality. Our approach favours the practical: real-life takeaways delivered at the right time.

Coaching culture embedded in our DNA

As much as we support our talent with the latest courses and job aids, we believe nothing can replace on-the-job learning.

In practice, this creates a coaching culture that empowers any member of the team to ask questions during the audit—no matter their role. This openness augments audit quality not just in the short term but in the long run. The junior audit professional who asked a question this year—and received a thorough answer—now knows how to address the issue and can pay the answer forward next year.

We attribute our coaching culture to the entrepreneurial identity of our firm. While we have grown our business from its earliest days 100 years ago, our founding ethos endures. Our people benefit from this openness. It fuels our collaboration and ignites our innovation. We believe it enhances our audit quality.



108.5 hrs
Average time each of our professionals
reported investing in training



Our workplace awards



Get to know BDO audit culture

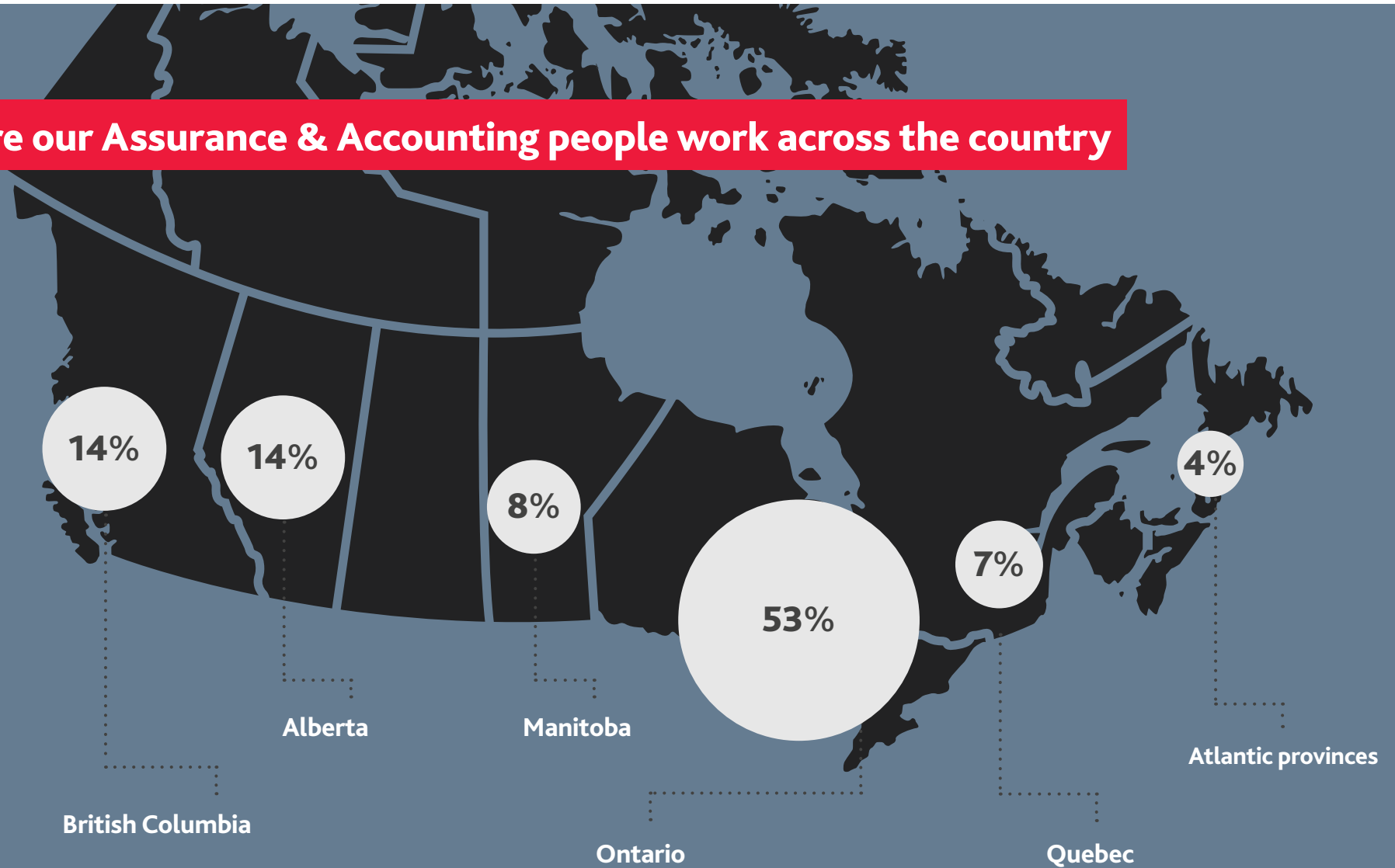
How we take care of our people

When our teams went remote, we stepped up our commitment to the mental health of our talent, supporting them to produce high-quality work as life became more complex.

- ▶ **Get Stuff Done Fridays** dedicate an entire day for focused work and productivity by discouraging internal meetings
- ▶ **Sunshine Hour** empowers our people to schedule time in their calendar to be outside
- ▶ **Wellness Check-Ins** to make sure our people are receiving the support they need
- ▶ **Mental health programming** delivered live, through video, and podcast
- ▶ **Expanded financial support** available for mental healthcare
- ▶ **Internal tools like Yammer and Teams** help our people stay connected via ad hoc meetings and social groups around shared interests



Where our Assurance & Accounting people work across the country



*Percentage of workforce by province/region



Our audit processes

From mindset to execution

"We often say audit quality is a mindset. What makes my job exciting is the opportunity to apply it every day and see results."



Nazia Lakhani
Head of Quality and Assurance Standards Partner





“Audit quality is at the forefront of all our engagements. I am proud to be part of a team that puts quality first. It’s not always easy to go the extra mile, but protecting our clients and our integrity is its own reward. It’s why I became an auditor. And it’s the reason I bring dedication to every new engagement.”

Wendy McDonald
Senior Manager, Assurance & Accounting

Because quality shapes our organizational mindset, we diffuse it through every detail of our audit processes. From before we begin the audit to well after we close it, we make continuous improvement the cornerstone of our audit process.

Deciding which clients to work with is all about quality

Underpinning every audit is our pledge to do business only with clients who share our values. When we accept a client, we also accept the responsibility to see the audit to completion. We therefore make sure to confirm our clients’ integrity from the start.

To audit an organization, we need to understand its operations

We believe true professional skepticism hinges on authentic interactions with our clients. To provide a reliable opinion, we work to really understand what happens in the business. We can then ask the right questions from a position of engaged independence.

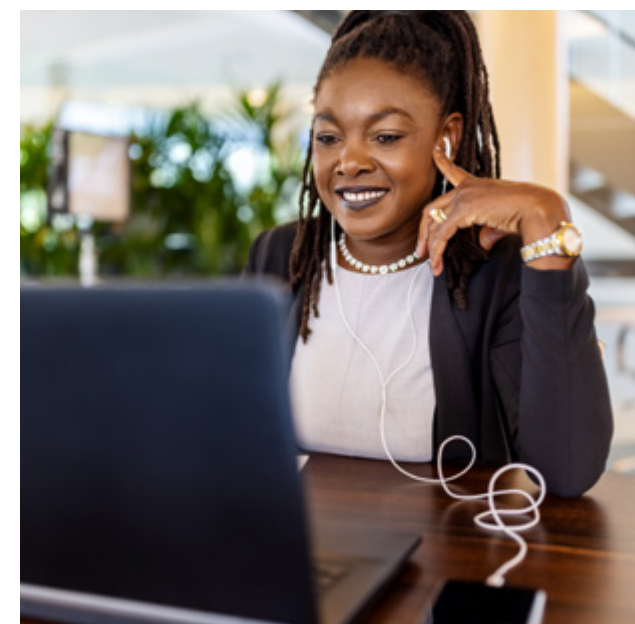
That’s part of the reason we urge our audit decision-makers to spend time at the client site, ‘in the field.’ This gives them a first-hand view of the client’s operations, and it clears questions quickly to keep the audit moving and completed in a timely manner. It also supports our coaching culture: junior staff see behaviour modeled by our senior people, ask questions, and learn by doing.

When COVID struck, our audit quality carried on

The COVID-19 pandemic has raised a critical question for audit teams: how can they sustain quality in a virtual world?

We adapted by channeling our mindset of quality to a new reality. We educated our staff to mimic the in-person environment. We challenged our teams to double down on our values—and they responded.

One example: to recreate the in-field reviews we champion, our teams scheduled hours-long video calls dedicated to individual clients. All team members typically joined the call to collaborate in real time, including the partner on the file.





Get to know BDO audit processes

Embracing a new global standard for quality

New and enhanced rules for quality management are coming to the auditing profession in 2022 with a new global standard, *International Standard on Quality Management (ISQM) 1*. We applaud the efforts of the International Auditing and Assurance Standards Board in continuously improving the quality of auditing in the financial reporting ecosystem.

Throughout the BDO network, our global leadership team has aligned its current top priorities with this important international initiative. Here in Canada, we have already begun to implement ISQM 1 as part of our ongoing efforts to improve quality at the firm.



“For sure, collaboration tools helped us transition to the virtual audit during COVID. But it’s also the people themselves. I know I can reach out with questions big or small to anyone on the team, or even on another team. Having that reassurance is so critical, because it surfaces issues that would otherwise get overlooked. Ultimately that helps produce a high-quality audit.”

Rolland Wang

Intermediate Accountant, Assurance & Accounting



Get to know BDO audit processes

The audit in 6 steps:

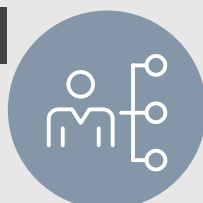
1



Scoping

Plan the audit

2



Identify and assess risk

Focus on potential problem areas

3



Design audit process

Create the audit strategy tailored to individual business

4



Obtain audit evidence

Execute the audit procedures

5



Form opinion

Evaluate evidence to be collected

6



Report

Communicate our opinion to business leadership

No two organizations are alike. Neither are their audits

We work to allocate the right mix of talent to every audit. We assemble teams comprising individuals who understand specific industries and types of organizations. No matter where our teams operate across the country, we support them with specialized knowledge tailored to their audit.

We created an advanced consultation process for the most demanding technical questions

Specialized support is available throughout the audit process. If our people need to clarify a technical issue, they use our consultation database.

Any audit professional from around the country may submit a consultation request to the database at any time. The request is assigned to a technical specialist, who helps the team member.

What's more, BDO's consultation database is a key component of our strategic plan to enhance audit quality. Every year, we review internal metrics from the thousands of consultations to identify areas for further training.

Quality control is always-on—even after audit close

Our review matrix includes a final layer of checks. With internal quality assurance reviews, every audit partner undergoes a periodic, random review of their audit files.

Supervised by our risk management team to foster independence, the review checks two major components of audit quality: processes and core audit performance. We rate all partners, provide feedback, and when necessary implement an action plan to improve.



“Quality is the beginning, middle, and end of everything we do. If we’re not constantly looking to improve, we’re not doing our job.”

Jeffrey Smith
National Risk Management Partner

1:4



ratio of partners with technical public company roles to total number of public company audit partners

2100+



consultations conducted with internal technical specialists on complex issues

86%



of our technical specialists sit on committees to support the audit profession

1800+



financial statements reviewed by technical specialists

96%



of our people have completed their annual independence and ethics training

1 in 3



partners inspected internally



Our technology

How we transform audit
with digital innovation

"To truly innovate the audit, it's not enough to follow the tried and true. Firms need to source the best digital ideas from anywhere and everywhere—beyond accounting, even beyond the business world."



Paul Vetrone
Audit Transformation and Innovation Director





What makes technology so valuable to audit quality is its promise of exponential gains. Technology will never replace the professional skepticism of our people. But emerging tools are upping the ante for quality.

At BDO, we ask two questions of every digital tool we consider adding to our technology stack—and both ultimately revolve around quality:

- ▶ Will it help our teams work smarter?
- ▶ Will it increase our efficiency?

Digital helps us work smarter ...

Businesses produce more information than ever before, yet lenders, investors, and other stakeholders want the same assurance they've received in the past.

Emerging technologies such as data analytics help audit professionals spot trends in data and eliminate blind spots. Data visualization tools present insights more clearly. Digital tools monitor performance during quality reviews. And as audit teams incorporate more tools, we can move to a step change: from sampling selected data to reviewing more relevant information.

... not harder

Automation amplifies the power of audit teams, making them run efficiently. By reducing some of an audit's most mundane tasks, we empower our staff to focus on what they do best: delivering high-quality audits to our clients.

Get to know BDO audit digital innovation

Crowdsourcing the most innovative ideas from within

Each year we ask our people to submit big, bold, disruptive ideas and propel our digital transformation. Our teams rise to the occasion—not just from our audit practice but across the entire firm.

The signature program, called CULTR/SHFT, is managed by the firm's Digital Office. This team of partners, technologists, and subject matter experts champion digital throughout the organization—but innovation involves all of us. Together we are creating a smarter, faster, and more digital BDO.



An ever-expanding suite of digital audit tools

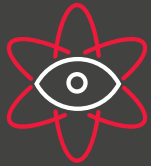
Our digital audit suite of technologies enables our teams to work both domestically and internationally. With new tools being added regularly, it helps us work smarter, more efficiently, and more collaboratively—and ultimately increases our audit quality.

How we work with our clients

BDO Portal

The BDO Global Portal is our collaborative digital hub. It enables us to share information in real time, providing a customizable, secure, cloud-based experience. Available anytime, the Portal gives clients access to all services, tools, apps, and information, and helps them collaborate seamlessly with their advisors.

BDO Portal



Our collaborative digital hub

BDO Exchange

Secure document exchange & project readiness



BDO Organize

Robust project management, aligned with our Audit Process Tool



BDO Harmony

Advanced data analytics



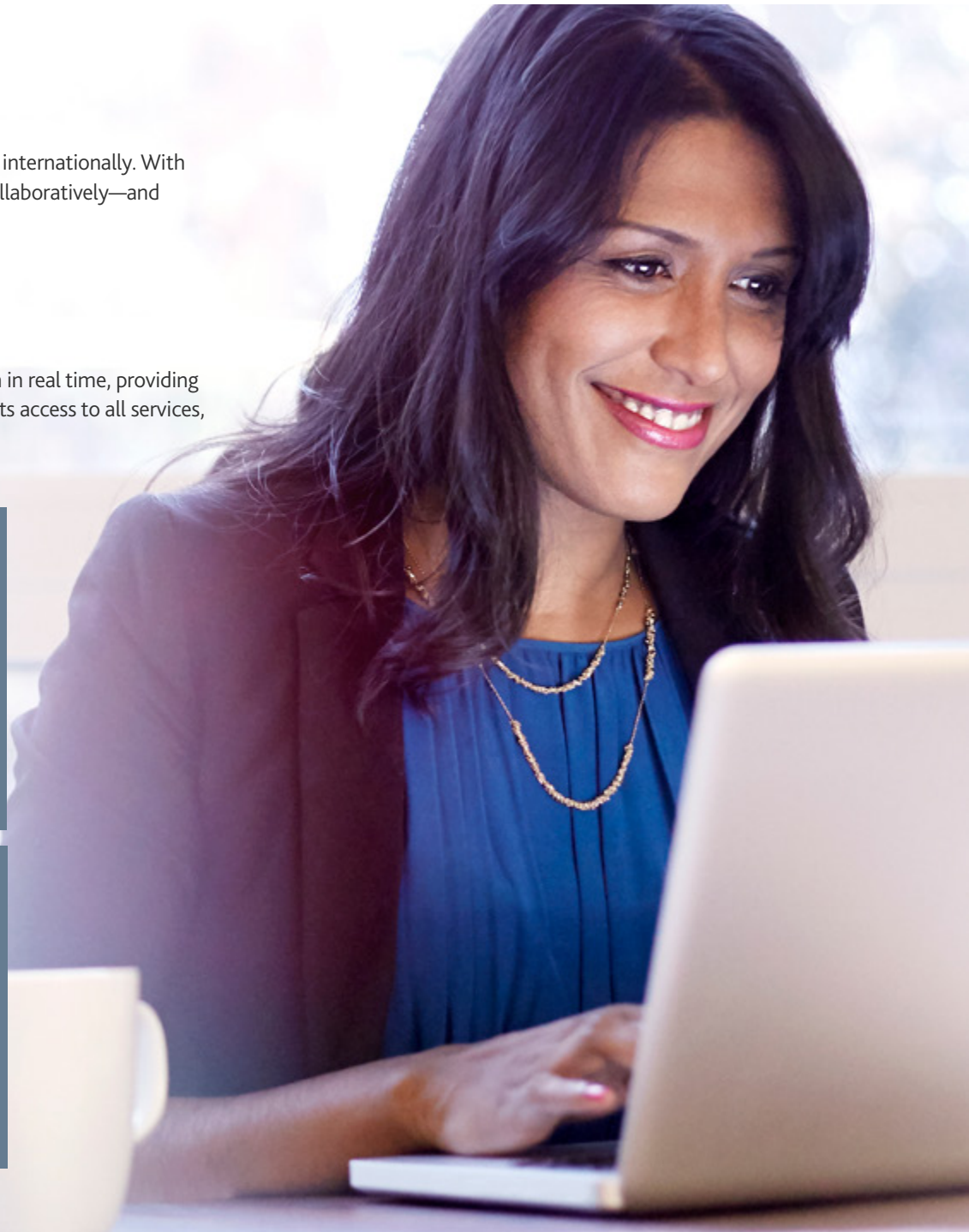
BDO Insights

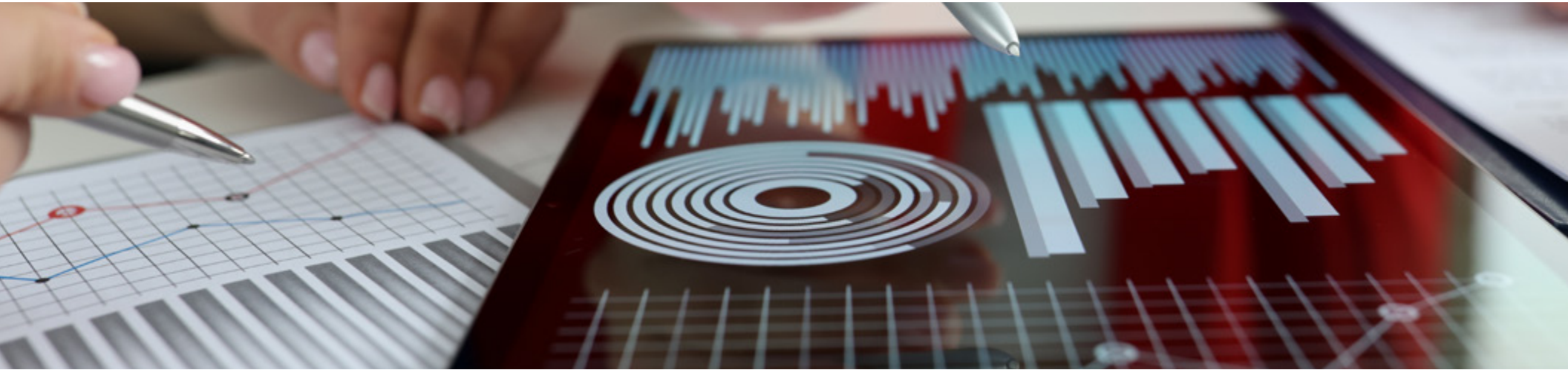
Insights & publications tailored to clients



BDO ResourceMe

Smart staff scheduling based on availability & expertise





How we work as a team

APT Next Gen

Our global audit software and documentation tool, APT, is an integral part of our audit methodology. Developed in partnership with Microsoft, APT helps our teams across the globe focus their work and judgment where it matters most.

APT hosts our data analytics functionality. Using this emerging technology, we monitor our audits in real time and mine data to benchmark key performance indicators.



Insightful



Global



Scalable



Secure



Compliant



Integrated



Automated



Efficient

“Digital is the audit breakthrough the profession has pursued for decades. It’s the very real opportunity of a step change in quality.”



Daphna Smuckler
Managing Partner,
Assurance & Accounting



What's next for 2022?

The quest to accelerate quality continues

Exciting initiatives are underway to further accelerate our audit quality across the board—with our people, our audit processes, and our technologies. We look forward to reporting these steps in next year’s audit quality report.

In the meantime, feel free to reach out to us for more information.

Daphna Smuckler

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About BDO

What grew to be a leading provider of professional services to clients across Canada and beyond started with one entrepreneur with a dream. BDO knows the challenges of small businesses, the growing pains of the mid-market, and what it means to become an enterprise, because that's how the firm transformed over the last 100+ years.

Our teams deliver a comprehensive range of assurance & accounting, tax, and advisory services—complemented by continuously advancing technology expertise, deep industry sector knowledge, ESG focus, and a strong connection to local communities.

Our people-first approach to our talent experience has earned us multiple awards, including a spot among Canada's Top 100 Employers for 2022.

With over 88,000 people working out of more than 1,500 offices in over 167 countries, our global BDO network positions us to provide consistent cross-border services to clients with global needs.

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