



Deloitte Canada
Transparency Report

August 2016

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Dear reader,

At Deloitte LLP (Deloitte), quality is at the core of our multi-year strategy. Our objective is to be the True Market Leader, and to achieve that goal we must be the quality leader in our market and in our profession. This reflects how seriously we take the public's trust and confidence in our profession, and by extension, the capital markets.

We have deliberately set the bar high for ourselves and this report describes some of the principles, policies, standards and actions we have implemented to support our commitment to leading the profession.

Over the last year, the regulators of auditors of public companies (CPAB – Canadian Public Accountability Board and PCAOB – Public Company Accounting Oversight Board) publicly called on the Canadian audit profession to substantively advance audit quality. Our Audit Quality Plan for our 2015 audits was designed to achieve the advances we targeted for our business, including consideration of the commentary of CPAB and PCAOB. We have been single-minded in our execution of this plan, and its execution has received unprecedented support and financial commitment from our firm's Executive and Board.

Continually advancing and becoming the market leader in audit quality are at the heart of our firm. This report outlines how we make those commitments tangible, including the control systems we consistently employ and the market-leading investments we have made in the automation of financial-independence tracking.

We will continue to be vigilant in the face of new challenges and changing regulatory and public expectations. Along the way, we will not waiver in our commitment with respect to audit quality.

Sincerely,



Frank Vettese
Managing Partner & Chief Executive
Deloitte LLP

Introduction

Quality and professional excellence

At Deloitte, our objective is to be the market leader that delivers unique value to our clients, continuously strives to perform at the highest levels and fulfills our public interest role in a distinctive and constructive way.

Achieving this objective requires a deep and abiding commitment. At the most basic technical level, audit quality may be defined as completing an audit in accordance with the exacting standards that govern the auditing profession. For Canadian reporting issuers, these are the Canadian Auditing Standards as promulgated by Canada's Auditing & Assurance Standards Board. For Securities and Exchange Commission (SEC) registered companies, the standards are set by the PCAOB. Both sets of standards are designed to ensure that auditors obtain sufficient appropriate evidence that the financial statements are in accordance with Generally Accepted Accounting Principles and in turn provide a clear representation of the economic circumstances of an enterprise in its financial statements.

On a practical level, audit quality demands that an auditor has a thorough understanding of the entity's business, its risks and the controls it has put in place to address those risks. This understanding shapes an auditor's judgments about the nature and timing of audit evidence that should be gathered, and an auditor's evaluation of the soundness of the company's control environment.

From our perspective, attaining advanced audit quality allows our dialogue with the audit committees of our clients to be more robust, insightful and better focused on key risks.

Achieving audit quality, as defined above, requires an ongoing commitment; a permanent resolve to learn from each circumstance and find ways to further evolve our practices and processes.

This report sets out the practices and processes that we currently employ, in accordance with the requirements of the European Union's Directive on Statutory Audit 2006/43/EC¹.

Deloitte strives for professional excellence in the delivery of all of its professional services. This report focuses on the activities related to our audit practice, which is structured as three national service lines: (1) Audit Public, which is responsible for audit services to reporting issuers; (2) Audit Private, serving private companies, public sector and not-for-profit-organizations; and (3) Audit Advisory. The discussions in this report pertain to all three audit service lines, except the sections on managing the audit engagement, monitoring and inspections, which present policies and activities related primarily to our Audit Public service line.



Continually advancing and becoming the market leader in audit quality are at the heart of our firm.

Frank Vettese
Managing Partner &
Chief Executive

¹ Directive 2006/43/EC of the European Parliament of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC.

Directive 2006/43/EC



Legal structure and ownership

Deloitte LLP (Deloitte Canada) is structured as a limited liability partnership pursuant to the laws of the Province of Ontario and is fully owned by Canadian equity partners. Each partner actively participates in Deloitte Canada's practice and activities, while an elected Board of Directors and a senior management team provide governance and leadership across the organization.

In its entirety, Deloitte Canada is the nation's largest professional services firm, which provides audit, accounting, tax, consulting, risk advisory and financial advisory services through over 8,800 people in 55 offices.

On April 1, 2015, Deloitte Canada entered into a Master Agreement with Deloitte Chile that provides for the common management and governance of the firms' businesses in Canada and Chile, with financial integration taking effect June 1, 2016. Under the Master Agreement, the firms will have a single Board of Directors and single management, and will have financial integration between the equity partners. Services in both jurisdictions will continue to be carried out in accordance with applicable professional standards.



The Deloitte Network

Deloitte LLP is the Canada member firm of the Deloitte Network, which is comprised of all the member firms of Deloitte Touche Tohmatsu Limited (DTTL), a U.K. company limited by guarantee.

DTTL does not provide professional services to clients, nor does it direct, manage, control or own any interest in any member firm or in any member firm's affiliated entities. Member firms of the Deloitte Network provide services to clients, either directly or through their affiliates. The firms operate under the Deloitte brand and related names, including Deloitte, Deloitte & Touche, Deloitte Touche Tohmatsu and Tohmatsu.

Member firms provide professional services in particular geographic areas and are subject to the laws, regulations and professional requirements of the jurisdictions in which they operate. Each member firm is structured differently in accordance with national laws, regulations, customary practices and other factors.

Member firms are not subsidiaries or branch offices of DTTL, and they do not act as agents for DTTL or other member firms. Member firms are locally-formed entities with their own ownership structures that are independent of DTTL. Member firms have voluntarily joined the Deloitte Network to coordinate their approach to client service, professional standards, shared values, methodologies and systems of quality control and risk management. DTTL has adopted certain policies and protocols in each of these areas in an effort to establish a consistently high level of quality, professional conduct and service in all member firms. This structure's significant strength is that it combines high quality standards and methodologies with a deep understanding of local markets and a sense of responsibility and initiative among professionals who have a direct stake in the integrity and growth of their respective practices.



Enhancing audit quality is an objective of the total firm, not just the audit practice. The Board and Executive work together to ensure that our commitment to quality is reinforced consistently across our entire leadership team and in our firm-wide messaging to our professionals.

Glenn Ives
Chair

Governance and firm leadership

Senior leadership roles

Deloitte is led by an elected Chair and an elected Managing Partner & Chief Executive.

The **Chair** (who is independent of the Managing Partner & Chief Executive) leads the Board of Directors (the Board) in overseeing and governing all aspects of the practices, businesses, and affairs of the firm, in accordance with the authorities set out in the firm's by-laws.

The **Managing Partner & Chief Executive** is responsible for leading and managing the firm's operations and has the authority to appoint a senior management team (the Executive) for approval by the Board.

Candidates for the roles of Chair and Managing Partner & Chief Executive are recommended to the partners by an independent Leadership Nominating Committee composed of Board members and other partners of the firm. The committee conducts an extensive consultation process to obtain partners' views about the desired attributes for the firm's elected leaders and the attributes of specific candidates. The Leadership Nominating Committee then recommends one candidate to the partners, who must receive the support of at least 66 2/3% of all partners in a vote.

The Chair and Managing Partner & Chief Executive may be elected to two consecutive four-year terms in their respective positions. Each serves on the Board as full voting members for the duration of their terms.

Deloitte Board of Directors (Canada)

The Board is composed of the Chair, the Managing Partner & Chief Executive, and 17 elected partners. A partner representative of the Board of Directors of our U.S. member firm attends Board meetings as an ex officio observer. The firm’s General Counsel attends all board meetings.

Of the 17 partners elected by their peers to serve on the Board, 12 seats are reserved for regional nominees, and the remaining five seats are considered “at large.” All five services must be represented on the Board.

Every two years, the Board appoints an independent Elections Committee composed of a small group of partners who are ineligible to serve a full term on the Board (i.e., partners who are within four years of retirement). The Elections Committee conducts a two-stage nomination and election balloting process in accordance with the firm’s by-laws, and oversees the eligibility of partners to stand for nomination and subsequently be elected to the Board. The nominee with the highest number of votes for each open seat is elected to the Board. Board members are elected for four year terms (staggered), and are limited to two consecutive terms.

The Board is responsible for overseeing the firm’s strategy and the performance of senior management, as well as reviewing and approving action on a variety of governance, operational and administrative matters.

2016-2018 Board of Directors

Glenn Ives, Chair

Frank Vettese, Managing Partner & Chief Executive

Jane Allen Toronto, Consulting	Edgardo Hernandez Chile, Audit	Trevor Nakka Atlantic, Audit
Judith Bellehumeur Montreal, Tax	Charles Knight Alberta, Financial Advisory	Iseo Pasquali Toronto, Financial Advisory
Brian Brophy Toronto, Tax	Jean Lamy Quebec region, Audit	Charles Perron Ontario, Consulting
Shelley Brown British Columbia, Audit	Eddie Leschiutta Montreal, Enterprise Risk Services	Heather Stockton Toronto, Consulting
Sippy Chhina Alberta, Audit	Karen Mazer (ex officio) Deloitte US	Brigitte Vachon Montreal, Audit
Bill Currie Toronto, Consulting	Michael McFaul Ontario, Consulting	Cathy Warner Prairies, Audit

Deloitte Executive Team (Canada)

The Executive is comprised of the following individuals:

Carl Allegretti Managing Partner, Tax	Janet Lewell Managing Partner, Enterprise Risk Services
Pierre Baraby Managing Partner, Operations	Richard Olfert Managing Partner, Regulatory, Quality & Risk
Linda Blair Managing Partner, Ontario	Carol Paradine Managing Partner, Leadership Development and Succession
Ryan Brain Managing Partner, Toronto	Marc Perron Managing Partner, Quebec
Etienne Bruson Managing Partner, British Columbia	Jorge Rodriguez Managing Partner, Chile
Tim Christmann Managing Partner, Consulting	Nathalie Tessier Managing Partner, Audit
Guy Cogan Chief Strategy Officer	Frank Vettese Managing Partner & Chief Executive
Mat Harris Managing Partner, Atlantic	Anthony Viel Managing Partner, Financial Advisory
David Keddy Managing Partner, Growth & International Investments	Blaine Woodcock Chief of Staff
Chris Lee Managing Partner, Prairies	Miyo Yamashita Managing Partner, Talent

The Deloitte Audit Practice

The audit practice is an integral part of Deloitte through which the firm provides audit and other assurance and advisory services to clients. While the practice must regularly respond to changes and challenges occurring in the accounting profession and business environment, it remains focused on continually enhancing audit quality.

Audit Practice Senior Leadership Team (Canada)

Our audit practice is led by a Managing Partner, Audit, who is appointed by the firm’s Managing Partner & Chief Executive and approved by the Board.

The Managing Partner, Audit appoints an audit practice senior leadership team to develop a strategy for the audit practice and oversees its implementation, including all related policies and procedures. In all of its activities, the team is responsible for the overarching objective of audit quality, including compliance with applicable professional standards and regulatory requirements.



Our audit leadership team is fully committed to consistently enhancing quality.

Nathalie Tessier
Managing Partner, Audit

Audit Practice Senior Leadership Team (Canada)

Nathalie Tessier
 Managing Partner, Audit

Nicole Homick
 Operations Lead

National Service Leaders

Regional Representatives

Mark Wayland
 National Service Leader, Private

Don Newell
 West

Lorrie King
 Central

Sue Bennett
 National Service Leader, Public

Angelo Bracaglia
 East

Tony Cocuzzo
 Toronto

Bruce Chin
 National Service Leader, Advisory

Alberto Kulenkampff
 Chile

National Office & Supporting Functions

Karen Higgins
 Managing Partner, National Office

Claire Harrington
 Director, Programs, Program Management Office (PMO) & Initiatives

Gloria Lemire
 National PPD, Audit Private

Beth Tyndall
 National Leader, Talent

Sean Haggerty
 National Leader, Growth

Dermot McKeown
 Director, Finance



Canadian Audit Quality Board

Deloitte is committed to strengthening audit quality and instilling confidence in financial reporting. Achieving the highest levels of audit quality is a journey that requires commitment, accountability, discipline and excellence at all levels of our organization, starting at and led from the top. It is also a process of continuous enhancement, requiring regular checkpoints to assess progress, and when necessary, adjust course. For this reason, we continue to refocus our Audit Quality Plan based on a careful assessment of key challenges and the identification of priorities and actions.

The development and execution of our annual Audit Quality Plan is the responsibility of our Managing Partner, Audit with oversight from the firm's Canadian Audit Quality Board (CAQB), which is chaired by the Managing Partner, Regulatory, Quality & Risk. The CAQB is comprised of client-serving audit partners, National Office Assurance/Audit Quality partners, a non-audit partner who provides an independent perspective, the Managing Partner, Audit and the Managing Partner & Chief Executive. The CAQB meets regularly to assess our progress in executing our annual Audit Quality Plan, to challenge the design of Audit Quality programs and to anticipate future developments that will affect audit quality.

Audit Quality Plan

The auditing profession and business climate are undergoing unprecedented changes and challenges, and Deloitte's audit practice is evolving in response to these developments. The basis of continuous improvement in audit quality is our annual Audit Quality Plan. Each year, we develop our Audit Quality Plan based on internal analyses, the findings of external inspection results, expected upcoming audit quality developments and development of new strategies to continue advancing audit quality. Our Audit Quality Plan includes various actions and activities to advance audit quality and enable us to monitor and assess the effectiveness of our quality activities.

In developing our annual Audit Quality Plan, we work with other DTTL member firms to benefit from their experience in advancing audit quality and to ensure that our system of quality control is consistent with our member firm network. This collaboration has led to the establishment of a DTTL Global Centre of Excellence for Audit Quality. Its mission is to promote, enable and continuously enhance the quality and consistency of global audits performed by DTTL member firms in accordance with PCAOB and other professional standards.



Quality is top priority, and we continuously strive to enhance our audit methodology and the professional skills of our people.

Richard Olfert
Managing Partner,
Regulatory, Quality & Risk



Internal quality control system

At Deloitte, quality is our top priority and our firm has implemented policies and procedures to foster a culture based on quality. We believe that professional excellence is the foundation for achieving consistently outstanding audit quality.

We believe there are three essential dimensions to meeting our audit quality objectives. First, there must be strong central leadership to structure, manage and resource our audit practice so it successfully achieves audit quality. Second, individual audit engagements must be executed in accordance with professional standards and firm policies.

Third, there must be a quality control system for our audit and other professional engagements. An overview of our firm’s quality control policies and procedures are discussed in the following sections:

- Leadership responsibilities for the system of quality control
- Ethical requirements
- Client and engagement acceptance and continuance
- Engagement performance
- Human resources, and
- Monitoring.

Leadership responsibilities for the system of quality control

Deloitte has implemented policies and procedures to promote an internal culture that emphasizes quality as our number one priority. While the firm’s leadership assumes the ultimate responsibility for our system of quality control, a Managing Partner, Regulatory, Quality & Risk has been appointed to take operational responsibility for the firm’s quality control system.

Ethical requirements

Ethics

At Deloitte, our ethical principles define the behaviours expected of the firm’s partners, professional staff and support staff. These principles, together with firm policies and professional/regulatory requirements, form the basis of the firm’s Code of Conduct. Our Code of Conduct is aligned with the requirements set out in Parts A and B of the Code of Ethics for Professional Accountants (the “International Code of Ethics”), issued by the International Ethics Standards Board for Accountants, a standard-setting body of the International Federation of Accountants.

We developed our Code of Conduct to help our people maintain the highest standards of professional and business conduct. Compliance with our Code of Conduct is a condition of employment, which reflects the importance we place on personal integrity and ethical behaviour in our firm. All partners, professional staff, and support staff are required to confirm annually that they have read and understood the Code of Conduct and their responsibility to comply with it.

The firm’s Code of Conduct is overseen by an Ethics Officer who is an experienced partner who has direct access to the Managing Partner & Chief Executive and the Board of Directors.

The firm provides communication channels through which partners, professional staff and support staff can consult on and report ethical issues and situations. The firm’s commitment to ethics and integrity is reinforced through communication tools, learning programs, compliance processes and measurement systems.

Independence

Deloitte has established policies and procedures relating to professional and personal independence. These policies and procedures are based on the Code of Ethics for Professional Conduct, and are enhanced, as appropriate, to reflect local standards or DTTL policies that may be more restrictive.

Deloitte’s system of quality control related to independence includes:

- Independence policies and procedures
- Compliance business process tools, including the Deloitte Entity Search and Compliance (DESC) system, the Global Independence Monitoring System (GIMS), Confirmations, and Consultation
- Business relationship assessments and monitoring
- Independence learning
- Monitoring of independence systems and controls relating to personal independence, and engagement and practice reviews
- Disciplinary measures and actions
- Assignment of responsibility for independence systems and controls, and
- Tone-at-the-top culture relating to independence.

Independence policies and procedures

Deloitte’s independence policies and procedures cover the firm, its partners, professional staff, support staff and, where applicable, their relatives. These policies and procedures are either the same or more restrictive than the independence standards set out in the International Code of Ethics, and contain specific independence requirements that are applicable when the firm is required to maintain independence with respect to an audit client (restricted entity) and its affiliates.



Compliance with the Code of Conduct is a condition of employment which reflects the importance we place on personal integrity and ethical behavior in our firm.

Deloitte’s independence policies require the firm and its partners and professional staff to determine, among other things, whether an entity is a restricted entity before the firm, a partner, or a professional staff member (including their spouses, spousal equivalents and dependents) engage in certain transactions with that entity. To facilitate this process, the firm and its partners and managerial personnel enter their financial interests and brokerage accounts into a tracking system (GIMS). GIMS enables an electronic review of financial interests and brokerage accounts to help identify independence restrictions that may affect the ability to hold such items.

The firm’s independence policies and procedures are made available electronically to the firm’s partners, professional staff and support staff, and updates to these policies and procedures are also communicated electronically to them. Additional independence-related materials are available on the firm’s independence website. We also routinely publish reminders on policy and other matters as part of our communications to confirm awareness and understanding of the independence policies and to highlight changes to entities that are internationally restricted.

We have put policies and procedures in place at the engagement level under which the audit engagement partner is required to consider independence matters during the course of an audit engagement and to communicate with the client’s audit committee or those charged with governance, where required.

Rotation procedures

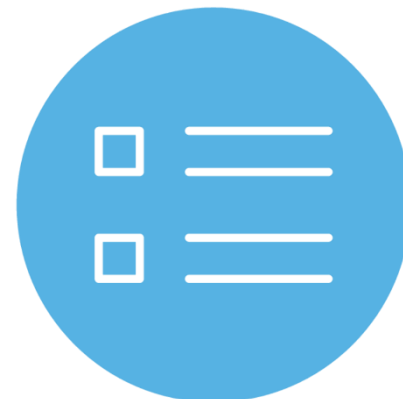
Partner rotation occurs on both a required and voluntary basis to address possible institutional familiarity threats. We maintain a rotation database that records the years that each partner spends on an audit engagement. For SEC registrants, Lead Audit Engagement Partners (LAEPs) and Engagement Quality Control Reviewers (EQCRs) are rotated every five years and these partners can only return to the same audit engagement after a five year cooling off period. For Canadian reporting issuers, the LAEPs and EQCRs rotate every seven years and can only return to the same audit engagement after a five year cooling off period. Other audit partners are also considered for rotation.

Reporting by personnel of employment negotiations

Our independence policies and procedures require our partners and professional staff to immediately report any offer of employment, or their pursuit of employment, with an audit client at the time they are providing professional services to that client. In these situations, the firm takes appropriate actions to mitigate a self-interest threat, which may include removing the individual from the engagement or having an engagement team member with the appropriate level of experience review the work performed by the individual.

DESC, GIMS and confirmations

There are three key controls related to the independence of Deloitte and the personal independence of its partners, professional staff and support staff: DESC, GIMS, and the confirmation process. These controls support each other in that: (1) partners and professional staff search DESC (which includes a database of internationally restricted entities) to determine whether an entity, its financial interests or brokerage accounts are restricted; (2) partners and managerial personnel record their financial interests and brokerage accounts in their portfolios in GIMS; and (3) the firm periodically requires partners and staff to confirm their compliance with the firm’s independence policies.



DESC

DESC is operated by DTTL on behalf of its member firms. Each DTTL member firm reports the audit clients and their affiliates that meet the definition of an international restricted entity (public audit clients and other audit clients that may be of public interest), which are recorded in DESC. The entity information reported to DTTL is updated daily to help ensure that it is accurate and complete, with periodic validation processes performed by engagement teams and/or the DTTL member firms. Partners and professional staff access DESC system online.

DESC includes features to request and document approvals related to providing services to an entity. In many jurisdictions, a restricted entity’s audit committee or others charged with governance must preapprove the services to be delivered within the restricted entity group. DESC system’s features establish a standard business process among the DTTL member firms, whereby service requests are submitted to the Lead Client Service Partner (LCSP) who is responsible for obtaining and documenting appropriate authorizations prior to approving the service request.

GIMS for financial interests and brokerage accounts

Each DTTL member firm identifies and reports the publicly available brokerage accounts at financial institutions that are associated with an international restricted entity which are recorded in GIMS. GIMS is operated by DTTL on behalf of its member firms and each member firm administers the monitoring processes related to its partners and professional staff.

Before investing in, acquiring a financial interest in, or establishing a brokerage account with an entity, partners and professional staff search DESC and/or GIMS to determine whether any restrictions apply to them, their spouses, spousal equivalents and dependents (immediate family members). Partners and managerial personnel who enter into certain types of financial interests and accounts are required to enter this information into their individual GIMS portfolio for ongoing monitoring purposes.

We have established a GIMS support group to assist our partners and to substantially simplify the pre-clearance of investments before they are made and entering investments into GIMS. In addition, a newly created Broker Data Import Program (BDIP) enables partners, senior managers, managers and their immediate family members to authorize their holding information to be automatically imported into GIMS from their respective brokerage firms.

GIMS enables the firm to identify situations that may not comply with Deloitte policies so they may be either reviewed or corrected. When such a situation is detected, the system advises the individual that an independence-impairing situation may exist, and poses questions to help the individual determine whether or not the item is permitted in the particular circumstances. This includes generating notices to the individual in situations where a once-permissible holding becomes newly restricted, so that appropriate and timely action can be taken. The firm monitors and follows up on such notices until the individual resolves the item.

Confirmations

Deloitte obtains independence confirmations from professional staff and support staff when they join the firm and from partners before they are admitted to the partnership. Existing partners are required to confirm their independence when a change in their location or role may change their independence requirements. Annual confirmations are also obtained from all individuals and individuals with a GIMS account are required to complete a mid-year compliance confirmation.

Independence consultation network

Deloitte communicates to its partners and employees the policies to be followed for consulting on independence matters and identifies the individuals who are to be contacted regarding those matters. Additionally, the firm may consult with DTTL's independence group and other member firms when additional input or advice would be beneficial.

Business relationships assessment and monitoring

Deloitte has implemented a business relationships assessment and monitoring process. This process is designed to confirm that, prior to entering into any business relationship with a restricted entity or its management or substantial stockholders, such a relationship does not impair the firm's independence with respect to that entity.

Business relationships and alliances with other entities and non-standard fee arrangements often present independence complexities. Independence professionals provide consultation and guidance prior to entering into contractual obligations. As appropriate, they verify that such arrangements are reviewed and approved by the partner responsible for audit services to the client.





All Marketplace Business Relationships (MBRs) (except sponsorships, co-publishing and speaking engagements) must be cleared centrally with respect to independence before any formal contract with a relationship entity is initiated. Sponsorships, co-publishing and speaking engagements are evaluated to determine if a restricted entity is involved and restricted relationships are cleared with the respective LCSP for that client. A resource management team, in coordination with National Office Independence, assists in the acceptance of alliance, teaming, subcontracting, prime reseller and independent contractor MBRs.

Independence learning

All partners and professional staff are required to complete the firm's comprehensive independence learning programs. While the content of these programs is based on our independence policies, the learning sessions are tailored to reflect current changes in the profession and the way in which our independence rules are applied to specific situations that may be encountered by our people.

Monitoring of independence systems and controls relating to personal independence, and engagement and practice reviews

Inspection of personal independence

Deloitte periodically inspects for compliance with its independence policies and procedures to determine whether the information that partners and professional staff submit to GIMS related to their independence matters is accurate and complete. The frequency of these inspections is determined by the individual's level in the firm and the position the person holds.

Inspection of firm's compliance

Deloitte is subject to a practice review at intervals not to exceed three years, during which compliance with independence policies at both a firm level and at a client level is reviewed. Further information about engagement and practice reviews is provided in the "Monitoring" section below.

Inspection of advisory services

Deloitte has established a program under which a sample of advisory engagements undertaken for audit clients is inspected to confirm that the engagements do not impact our independence, have been appropriately approved by the LCSP and the audit committee and that the documented terms of the engagement are consistent with the deliverables.

Inspection of the business relationships

Deloitte has established a program under which a sample of our payables is inspected to confirm that the business relationships are identified and submitted for centralized clearance. In addition, relationships with vendors and other parties with whom we engage are regularly assessed to confirm that these business relationships do not impact our independence on any audit engagement.

Disciplinary measures and actions

We have implemented disciplinary policies and procedures to address non-compliance with the firm's independence policies and procedures. These policies and procedures are designed to provide an appropriate response to any breaches of our policies and procedures by partners, professional staff and support staff.

The disciplinary process includes inquiring about the situation with the affected individual and assessing that situation. Individuals facing disciplinary action have the right to put forward their position. Sanctions applied to individuals for breaching the firm's independence policies may include written reprimands, deferral of advancement within the firm, reduced performance ratings, monetary penalties and/or termination from Deloitte.



Assignment of responsibility for independence systems and controls

A Director of Independence is responsible for implementing and maintaining quality controls over independence. The Director of Independence leads all significant independence issues within the firm, which includes implementing and maintaining the business processes concerning (1) independence consultations; (2) independence learning programs; (3) restricted entity information in DESC; (4) the use and monitoring of DESC; (5) the use and monitoring of GIMS; (6) annual confirmations; (7) testing and inspection programs; and (8) disciplinary processes. Communication channels exist among the Director of Independence, firm management and DTTL's independence group. The Director of Independence also communicates with the firm's senior leadership about the significant independence matters of relevance to the firm.

To support its member firms, DTTL provides access to a senior leader and DTTL independence team members to facilitate the independence function at the member firms.

Tone-at-the-Top Culture relating to independence

Deloitte's leadership reinforces the importance of complying with independence and related quality control standards, thereby setting the appropriate tone-at-the-top and instilling independence into the professional values and culture of the firm. The firm's strategies and procedures to communicate the importance of independence to partners, professional staff, and support staff emphasize each individual's responsibility to understand the independence requirements.

Conflicts of interest

DTTL member firms have a large number of clients and Deloitte Canada provides various services to these clients. We have a professional duty to avoid conflicts in respect of a client's affairs and to protect confidential client information. We have implemented policies and procedures to identify and consider potential conflicts of interest related to engagements and financial or business relationships that the firm has with a third party. We regularly check for and manage any conflicts that may arise on an ongoing basis throughout every engagement.

Our conflict checking system is designed to identify and manage potential conflicts, and is integrated with a global conflicts database to enable our team to work with their counterparts in other countries. When potential conflicts are identified, the Conflict Check group advises the engagement team on ways to address and manage the potential conflicts.

Client and engagement acceptance and continuance

Deloitte has established policies and procedures for accepting any prospective client and engagement and assessing the related engagement risk.

Our assessment of the acceptability of an engagement includes considering the client and professional service risks based on the prospective client's:

- Management characteristics and integrity
- Organization and management structure
- Nature of the business
- Business environment
- Financial results
- Business relationships and related parties, and
- Our prior knowledge of and experience with the entity.

Our engagement risk assessment procedures identify related risks and provide a basis for tailoring our audit approach to address engagement-specific risks. Prior to accepting a client and engagement, we undertake a risk assessment to determine whether the risk associated with accepting the engagement is "normal," "greater than normal," or "much greater than normal." The engagement risk assessment process requires us to obtain the approval of the recommending partner and the concurrence of at least one other partner before the firm may accept the client and the engagement. In addition, the decision to accept the appointment must be approved by the firm's risk leaders when the engagement risk is assessed as "greater than normal" or "much greater than normal."

Engagement risk assessments are an ongoing process. They begin during the engagement acceptance/continuation process and continue throughout the engagement. Risk assessment tools and programs are included in the audit approach and documentation to facilitate a comprehensive risk assessment when planning the audit after the engagement is accepted. Engagements that continue for more than one year are re-evaluated annually, based on the factors discussed above, to determine whether the firm should continue the engagement. In addition, whenever an entity undergoes a significant change (e.g., change in ownership or management, financial condition, or nature of entity's business), we re-evaluate the engagement and whether it should be continued. Decisions to continue an engagement must be concurred by at least one other partner.

On international engagements, procedures for accepting and continuing an engagement are performed by the member firm. Deloitte Canada does not assume the acceptability of a client and/or the engagement solely because it has been referred from another member firm.





Engagement performance

Audit approach

Our audit approach is based on the International Standards on Auditing, issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants, and the PCAOB Audit Approach Manual, supplemented to reflect local requirements, as applicable. Deloitte’s audit approach provides policies, procedures and guidance to audit teams in the planning and performance of audit engagements. We utilize common documentation and enabling software technology to help ensure the audit approach is implemented consistently effectively and efficiently.

The main elements of our audit approach are described below.

Understanding of the entity and its environment

To perform an effective audit, the engagement team must develop an understanding of the entity and its environment (including its internal control) and assess the risks of material misstatement at the financial statement and assertion level. Our engagement teams develop this understanding and assess the risks of material misstatement in a number of ways including:

- Analyzing financial information to identify trends and unusual balances
- Holding in-depth discussions with management and those charged with governance
- Considering the inherent nature of each financial statement component and the risks associated with that component
- Evaluating the design of relevant internal controls and determining if they have been implemented
- Assessing the extent to which technology is used in the financial reporting process, and
- Reviewing internal audit findings, if applicable.

Information technology specialists may be involved in the audit engagement depending on the nature of the entity’s information systems and the extent to which technology plays a role in the transaction processing and financial reporting processes.

Audit procedures

Engagement teams develop an audit plan to address the risks associated with the entity, the audit engagement, and the financial statements as a whole.




Throughout the audit, engagement teams continually reassess risk and how audit findings bear on the audit procedures. The firm’s audit approach allows partners and professional staff to modify the audit procedures when necessary to address issues that arise in the course of the audit.

Audit procedures to address risks of material misstatement include substantive procedures, which comprise tests of details and substantive analytical procedures, and tests of the operating effectiveness of controls.

Use of experts

The audit engagement partner is responsible for all aspects of the engagement, however there may be instances when the engagement team relies on the work of an expert. In these instances, the engagement team evaluates whether the expert has the necessary competence, capabilities and objectivity.

To determine whether or not an expert’s work constitutes appropriate audit evidence in support of the financial information, the engagement team considers the:

-  Source data used
-  Assumptions and methods used and, if appropriate, their consistency with those used in the prior period, and
-  Results of the expert’s work in light of the engagement team’s overall knowledge of the business and of the results of its audit procedures.

Engagement documentation

Deloitte has implemented policies and procedures that govern the assembly and archiving of audit files. Audit engagement teams are required to submit the audit files for archiving at the earliest of either 60 days from the date of the report or the period set out in applicable professional standards, regulatory and/or legal requirements. These policies and procedures include requirements for the retention of documents (in paper and electronic form), which address the confidentiality, safe custody, integrity, accessibility and retrievability of archived documentation.

Engagement team reviews

Audit documentation must be reviewed by a member of the engagement team with more experience than the preparer. In some cases, elements of audit documentation may be reviewed by several team members.

Engagement quality control reviews

Engagement quality control reviews are performed for audit and related assurance services. These reviews are performed by a partner or a manager who is not directly involved in the engagement, but who has the appropriate experience and knowledge about applicable standards and regulations, as well as the entity's industry, economic environment and accounting principles. For public interest entities and high-risk engagements, the review is performed by a partner with the experience and professional qualifications to act as an engagement partner on these types of audits.

The reviewer is responsible for performing an objective review of significant auditing, accounting and financial reporting matters; documenting the procedures the reviewer performed; and determining, based on all the relevant facts and circumstances of which the reviewer has knowledge, whether any matters have been identified that would cause the reviewer to believe that the significant judgments made and the conclusions reached by the engagement team were inappropriate in the circumstances.

Special reviews

For engagements that have been identified as having much greater than normal engagement risk, a special review partner is assigned to provide an additional level of objectivity in planning and performing the engagement. The special review partner is independent of the engagement and normally possesses specialized industry and technical skills applicable to the engagement. In certain situations, the review partner will be independent of the practice unit to enhance objectivity or to provide specialized resources.

Consultation network and differences of opinions

Deloitte has a consultation network to assist engagement teams in resolving issues they have identified. These consultations include providing guidance on technical accounting and auditing questions regarding the application and interpretation of applicable standards, reporting issues or on any other matter pertaining to an audit engagement that requires specialized knowledge.

To facilitate the technical consultation process, Deloitte has a National accounting, auditing and securities consultation structure (see the discussion of Technical Groups below).

Professional practice network

The firm's Professional Practice Network (PPN) is responsible for the initial implementation and monitoring of Deloitte's policies and operating standards. Many of the quality control procedures related to client engagements discussed below involve the PPN. The PPN is led by the National Professional Practice Director (NPPD) who is responsible for maintaining an understanding of local operations and making resources easily accessible to the local engagement teams. The NPPD is supported by Professional Practice Directors across the practice.

Deloitte has instituted policies and procedures that provide all partners assigned to an engagement team, including consultative partners, with the opportunity to participate in discussions on technical matters.



An understanding of the entity and its environment (including its internal control) and assessing the risks of material misstatement at the financial statement and assertion level are important elements of an effective audit.

Technical groups

Deloitte’s National Accounting, Assurance and Securities Groups provide accounting, auditing and regulatory consultation services to engagement teams to assist them in resolving auditing, accounting and other matters. This national consultation network is organized by subject matter and is staffed with professionals with deep technical expertise in their subject areas.

- ✓ **National Accounting Group** – One of this group’s primary roles is to participate in accounting standard-setting processes, develop accounting implementation guidance and communicate financial reporting matters. The group is also responsible for developing and distributing the proprietary interpretive guidance on complex or emerging accounting issues.
- ✓ **National Assurance Group** – This group develops and regularly updates our audit materials, policies and guidance, including auditing tools, forms and proprietary materials. It also consults on and issues internal communications related to complex issues on the application of auditing standards.
- ✓ **National Securities Group** – This group supports engagement teams on securities related matters. It assists in reviewing financial statements and other documents to be filed with the securities exchange for compliance with filing requirements.

Human resources

Hiring

Deloitte has set out policies and procedures governing the recruitment and retention of partners and professional staff. We actively seek individuals with the necessary competencies, capabilities and commitment to ethical principles to:

- Perform engagements in accordance with professional standards and applicable legal and regulatory requirements, and
- Enable the firm to issue reports that are appropriate in the circumstances.

When recruiting new client service staff members, we select candidates who are highly qualified graduates with the intellectual and personal qualities necessary to achieve and maintain high standards of professional competence. When hiring individuals at advanced levels, we seek candidates who possess the personal and professional characteristics, academic background and relevant work experience, or its equivalent, that are expected of our current employees in similar positions. All of our offers of employment are contingent upon satisfactory background and reference checks, and documentation is maintained related to the employment process and hiring decisions.

All of our new employees participate in a mandatory comprehensive onboarding process, which includes training in areas such as independence, ethics, privacy, quality and risk management practices.



Deloitte’s National Accounting, Assurance and Securities Groups provide accounting, auditing and regulatory consultation services to engagement teams to assist them in resolving auditing, accounting and other matters.

Deloitte also actively seeks diversity among new employees because we believe that a variety of backgrounds and perspectives enhances audit quality and leads to better outcomes for our clients. We strive to see inclusion as a value that is woven into our culture and ingrained in our business goals and strategies. Every individual brings a unique contribution to our firm and inclusion gives them the ability to fully engage with our firm and bring their whole self to the workplace. The responsibility for the advancement and pursuit of inclusion is assigned directly to the firm’s Executive leadership team.



Advancement

Deloitte has established policies and procedures governing the advancement of our people that are designed to ensure that professional staff members selected for advancement have the qualifications to fulfill the responsibilities they will be required to assume. These policies and procedures:

- Set out the professional staff levels within the firm and describe the related competencies required to perform effectively at each level
- Communicate to professional staff the required experience and performance qualifications for advancement to each level
- Set out procedures for periodic performance evaluations, and
- Provide a counseling program to help professional staff identify realistic career paths and develop action plans to realize their professional goals.

Assignment of partners and professional staff to audit engagements

The responsibility for each audit engagement is assigned to an audit engagement partner and we define and communicate the responsibilities for audit engagement partners to all of our partners. We also inform the client’s management team and those charged with governance at the client of the name and role of the audit engagement partner.

An engagement team ordinarily includes one or more audit engagement partners, audit managers, field seniors and audit staff depending on the size, nature, and complexity of the entity’s operations. Every audit engagement team is led and supervised by an audit engagement partner. The audit manager is responsible for the primary supervision and direction of the professional staff in executing the audit plan and performing the audit engagement. The field senior is responsible for the day-to-day supervision of the other members of the engagement team. Specialists and other experts are also involved with the audit as needed.

Monitoring

Striving for continuous quality enhancement

Deloitte’s Audit Quality program supports the firm’s practitioners in their pursuit of quality excellence. We recognize, however, that superior audit quality is a journey, not a destination. Advances in technology, regulatory developments, a changing business environment and many other factors continually present new opportunities to enhance the quality of our services. Our audit practice, including individual audit engagement files, are regularly monitored and inspected by us and by third parties, such as regulators and the provincial institutes of chartered professional accountants/chartered accountants. The objective of these reviews is to identify areas where audit quality may be enhanced, and when such opportunities are identified we move quickly to implement them.

Continuous practice reviews during engagements

Each year, we select a sample of engagements for in-process reviews of the planning and conduct of the engagements. These reviews are conducted by appointed reviewers independent of the engagement team to assess risk evaluation, audit plan formulation, details of planned audit testing and the evaluation of audit test results at an interim date.

Based on the findings of each review, we make any necessary adjustments to the reviewed engagement. In addition, as multiple in-process reviews are undertaken concurrently on several engagements, the aggregate findings and additional guidance is provided to the practice on common areas for audit quality enhancement. We also aggregate our in-process review findings to determine if our annual Audit Quality Plan should be adjusted.

Quality assurance review, as part of each engagement

In accordance with DTTL policies, our audit practice is subject to an annual quality assurance review, commonly referred to as a practice review.

The annual practice review program covers several practice offices (and/or audit groups) each year. Every practice office (and/or audit group) is subject to a practice review at least once every three years. Audit partners with engagement responsibilities ordinarily have a sample of their engagements reviewed at least once every three years. Consideration is also given to assessing the performance of managers, and candidates for partner nomination are normally included in the practice review prior to their expected admission to the partnership.

Deloitte Canada is responsible for conducting the practice review while DTTL provides guidance and oversight regarding practice review plans and procedures. The practice review program is coordinated and administered by the firm's practice review director, in conjunction with the DTTL regional practice review director.

Each year, the practice review plan, process, and results are reviewed and concurred by a partner from another member firm (the "external partner"). The external partner works closely with the firm's practice review director and the DTTL regional practice review director to oversee and challenge the planning and performance of the practice review.

Practice reviews of completed engagements

The engagements selected for review include national engagements and inbound/outbound transnational engagements (i.e. audits of financial statements that are or may be used across national borders). When selecting engagements for review, the factors we consider include (1) whether it is a first-year engagement; (2) change in control; (3) deteriorating financial conditions at a client; and (4) whether all major industries served are represented.

Scope of practice reviews

Reviewers are chosen from regional or international pools or from other practice offices within the firm, based on their skill level, industry knowledge and experience on transnational engagements.



The reviews of individual engagements consist of discussions with the partner and/or manager responsible for the engagement and a review of related reports and working papers.

Engagements are reviewed to:

- Determine whether quality control procedures have been properly applied
- Assess the adequacy of implementation of the audit approach, including compliance with the policies and procedures contained in the firm's policy manuals
- Monitor compliance, and
- Assess the overall quality of service provided to clients.

Results of practice reviews

The findings and recommendations resulting from the practice reviews are included in the firm's Audit Quality Plan and presented to the firm's Managing Partner & Chief Executive Officer and other appropriate firm leaders. The Audit Quality Plan provides suggestions for enhancing quality related to the specific review findings, and to drive overall audit quality within the firm. These findings are addressed through a detailed action plan that sets out actions to be taken, identifies the person(s) responsible and the timing for implementing the recommendations.

We communicate any deficiencies noted in the practice review and recommendations for appropriate remedial action to the relevant partner and other appropriate personnel. On an annual basis, we also communicate the results of the practice review and ongoing consideration and evaluation of its system of quality control to partners and other appropriate individuals in the firm.

Program and process reviews on our system of quality control

Deloitte has a formal function to monitor and assess the design and implementation of our key audit quality programs and processes, and to provide independent oversight services to the CAQB to enable it to exercise its governance over audit quality. The function's mandate includes (1) assessing the effectiveness of audit quality initiatives; (2) recommending enhancements to audit quality initiatives; and (3) monitoring the development and implementation of enhancement action plans.

Complaints and allegations

Deloitte has implemented policies and procedures to deal with complaints relating to work performed by the firm.



External inspections

Deloitte is registered with the Canadian Public Accountability Board (CPAB) to perform audits of Canadian public companies and with the U.S. Public Company Accounting Oversight Board (PCAOB) to perform audits of U.S. public companies. Our firm is also registered as third country auditors with regulators in countries that are part of the European Union, European Economic Area and Asia. Our audit partners and professional staff members are also subject to the requirements of their applicable provincial professional bodies.

The regulators' role is critical to upholding the value of the profession and the public interest. We believe that their regulation and inspections reinforce our values, and help to strengthen our ability to serve our clients and discharge our professional role with distinction.

External inspection processes

External inspection processes are conducted to assess and evaluate whether professional services are being performed in accordance with professional standards and that they result in high-quality audits. Our audit practice is subject to three primary types of external inspections:

- ✓ Quality programs and the performance of public company audits are inspected by CPAB
- ✓ Quality programs and the performance of SEC registrant audits or interoffice referral work performed for SEC registrants are inspected by the PCAOB, and
- ✓ Audit, compilation, review and tax engagements are inspected by each provincial Institute of Chartered Professional Accountants/Chartered Accountants.

CPAB inspections

As the designated regulator of the public company auditing profession in Canada, CPAB has a central role in promoting audit quality. Deloitte supports and is committed to working with CPAB to strengthen the public trust and confidence in the integrity of independent audits. CPAB inspections focus on our compliance with auditing standards and independence requirements, and we believe this inspection process is essential to achieving our shared objective to enhance audit quality and serve the public interest.

Under CPAB’s mandate, registered public accounting firms that conduct over 100 audits of Canadian reporting issuers are inspected annually. Consequently, Deloitte is inspected on an annual basis.

CPAB’s annual inspection comprises a review of our quality control system, which includes our policies relating to human resources, learning, independence and ethics. CPAB inspections also include a review of a sample of engagement files to assess whether engagement teams executed audits in accordance with both Deloitte policies and Canadian Auditing Standards.

CPAB does not inspect entire audit files but instead focuses on what the inspectors perceive to be higher-risk areas in the audit files they select for inspection. CPAB does not report on audit matters where auditors performed at, or above, required standards. As a result, CPAB’s findings do not represent a balanced scorecard and cannot be extrapolated across the public company audit population as a whole.

At the conclusion of an engagement file inspection, CPAB may have comments, verbal findings, findings or significant inspection findings. CPAB defines a significant inspection finding as a significant deficiency in the application of generally accepted auditing standards related to a material financial balance or transaction stream, which results in the audit firm having to perform additional audit work in the current year to support the audit opinion and/or needing to make significant changes to its audit approach. CPAB requires the audit firm to respond in writing to all significant inspection findings.

Deloitte receives an annual report from CPAB summarizing its inspection findings. Our agreement with CPAB requires us to respond to this report and take appropriate action to address its recommendations within 180 days. Both the report and the findings arising from engagement inspections cannot be shared with anyone outside the firm under the terms of our agreement with CPAB, other than as provided under the CPAB Transparency Protocol that came into effect for inspections completed after March 1, 2014.

CPAB issues a public annual report that provides information about the audit risks and challenges in the inspection process. CPAB’s public reports highlight systemic issues across inspections of audit firms and provide examples of mandatory recommendations that audit firms must implement to enhance audit quality. CPAB posts its public annual report on its website at www.cpab-ccrc.ca.



CPAB inspections focus on our compliance with auditing standards and independence requirements, and we believe this inspection process is essential to achieving our shared objective to enhance audit quality and serve the public interest.



Our Audit Quality Plan is developed based on the findings and recommendations of our quality monitoring programs, including our in-process reviews, practice reviews, and the findings of external inspections.

CPAB Transparency Protocol

In March 2014, CPAB issued a Protocol for Audit Firm Communication of CPAB Inspection Findings with Audit Committees. The Protocol's objective is to provide audit committees with relevant information to support them in overseeing and evaluating the external auditor. Other than communications with clients expressly permitted by the Protocol, the firm is prohibited from publicly disclosing information regarding its CPAB inspection findings.

The adoption and adherence to the Protocol is voluntary, however Deloitte has taken a position that we will participate fully and comply with all aspects of the Protocol. The practices and procedures we develop to comply with the Protocol will include the flexibility to tailor our approach to accommodate the needs and expectations of each reporting issuer's audit committee.

Responses to CPAB 2015 Inspection Report and CPAB 2015 Public Report: Big Four Firm Inspections

Deloitte is committed to enhancing audit quality and instilling confidence in financial reporting. To this end, and as required under professional standards, we have thoroughly considered the comments and concerns that were raised in CPAB's 2015 Inspection Report and CPAB 2015 Public Report: Big Four Firm Inspections. We also assessed the extent to which we had already initiated actions to address those concerns and whether additional action may be necessary.

We monitor the results of any programs that we initiate and will continue to implement quality processes that we believe will enhance audit quality.

PCAOB inspections

The PCAOB is required to perform a review of the foreign audit firms registered with it once every three years. Only registered firms may have their audit reports filed with the SEC, subject to certain limited exceptions. Because of the number and significance of SEC registrants audited in Canada, the PCAOB has performed annual inspections of the four largest accounting firms in Canada since 2010. The scope of the PCAOB inspections are similar to CPAB inspections and include evaluating specific audit engagements and quality control procedures.

At the conclusion of its inspections, the PCAOB issues a report, which includes a public and a non-public portion. The public portion of the inspection report provides an overview of the inspection procedures and relevant observations on certain engagements subject to inspection in that year. The PCAOB posts the public portion of its report on its website at pcaobus.org.

The PCAOB considers the inspection findings included in the public portion of its report to represent audit deficiencies that may affect a firm's ability to support its previously expressed audit opinion. An inspected firm must assess whether these deficiencies affect its previously expressed audit opinions. The firm must also determine what, if any, corrective actions need to be taken, which may involve additional audit documentation, performance of additional audit procedures or even reissuing an audit report.

Quality objectives and response to monitoring and inspections

Our Audit Quality Plan incorporates the findings and recommendations of our quality monitoring programs, including our in-process reviews, practice reviews, and the findings of external inspections.

We also communicate to our partners and other appropriate individuals in the firm information about the results of inspection reviews and the ongoing consideration and evaluation of its system of quality control.



Public audit clients reported in European Union (EU) member states

Our relevant public audit clients² listed in EU member states as of May 31, 2016 are:

- ✓ BCE Inc.
- ✓ BioAmber Inc.
- ✓ Brookfield Asset Management Inc.
- ✓ Calgary and Edmonton Railway Company
- ✓ Canadian Overseas Petroleum Limited
- ✓ Canadian Pacific Railway Company
- ✓ Finning International Inc.
- ✓ National Bank of Canada
- ✓ Northern Vision Developments LP
- ✓ St. Lawrence and Ottawa Railway Company

² Relevant audit clients generally include companies incorporated outside the EU/Europe Economic Area (EEA) whose transferable securities are admitted to trading on a regulated market of any Member State of the EU/EEA, with certain exceptions, as described in the Frequently Asked Questions (FAQ) Annexes to the Forms A & B (EU) Common Application Forms. Each of the EU Member States in which Deloitte LLP is registered defines relevant audit client in a similar manner.



Continuing education of statutory auditors

Professional development

Deloitte’s professional development program is designed to help partners and professional staff maintain and enhance their professional competence. To supplement on-the-job development, the firm provides formal continuing professional development programs in relevant subject areas.

Ongoing professional development is one of our highest priorities. We invest in an extensive professional education program, set rigorous continuing professional education requirements for all client service professionals, and monitor compliance with those requirements through an online learning portal. The overall purpose of our professional development program is to help professionals maintain and enhance their professional competence so they have the skills and background needed to perform high-quality audits. In addition, our programs also focus on leadership development to ensure that, as people progress in their careers, they not only have the necessary technical and professional skills but also possess the softer interpersonal and leadership skills required to lead teams, engage stakeholders and work effectively with a range of clients.

All of our partners and professional staff are personally responsible for ensuring that their own continuing professional development and education is appropriate to their roles, responsibilities and professional requirements. In addition, the firm establishes minimum levels of continuing professional development to be undertaken by partners and professional staff within a specific period of time. These levels include a minimum of 20 hours of structured learning per year and 120 hours of structured learning in every three-year period (i.e., an average of 40 hours per year). To achieve these levels of development, the firm offers structured, formal learning programs, such as internal or external courses, seminars or e-learning covering all areas of the competency model (e.g., shared competencies, function-specific technical competencies and competencies in areas of specialization).

Deloitte’s learning curriculum

Deloitte’s extensive professional development curriculum covers ethics, independence, core and advanced technical accounting and auditing matters, specialized industry matters and a variety of business advisory and management programs.

Deloitte partners, senior managers, managers and professional staff attend intensive learning programs designed to build technical excellence and audit quality. The programs address current accounting, auditing, regulatory and professional ethics and independence issues, including key sources for guidance and consultation resources. They also include practical application exercises on current accounting and auditing issues, such as the exercise of professional judgment and the importance of professional skepticism.

Deloitte has adopted the DTTL Global Audit Learning Curriculum for International Standards on Auditing (“ISA”). We have also adopted the DTTL Global Center of Excellence (GcOE) Learning Curriculum for PCAOB engagements for all practitioners serving public company clients. The curriculum is designed to cultivate the skills and instill the behaviour and mind-set necessary for our professionals to execute high-quality audits under the PCAOB standards, beginning at the staff level and building each year through the partner level.

Our learning programs incorporate a number of pervasive themes across levels that provide the foundation for achieving audit quality. These themes include: audit documentation; the use of specialists; consultation; the detection of potential fraud; the importance of professional skepticism; and professional judgment. Individuals may customize their learning plan to include courses that address their personal development goals for broadening their skill sets and the firm’s professional goals to address performance feedback.





Financial information

Key statistics relating to the Deloitte Touche Tohmatsu Limited Network.

	2016
Revenues (USD in billions)	\$36.8
People	244,400
Countries and Territories	> 150

Statistics are as of May 31, 2016

Revenue relating to Deloitte Canada

The following provides revenues for Deloitte as of May 28, the end of our fiscal year.

(CAD in millions)	2016
Total revenues	\$2,155

Note: The accounting records of Deloitte are prepared based on Accounting Standards for Private Entities adjusted in a manner that management uses to operate the businesses and considers partner fairness.

Deloitte audit practice compared to the total Canadian firm Personnel statistics

Personnel	Audit practice 2016	Deloitte 2016
Partners	314	911
Senior managers	303	1,128
Managers	268	1,155
Senior staff	776	2,329
Staff	711	1,467
Client service professionals	2,372	6,990
Administrative professionals	313	2,405
Total personnel	2,685	9,395



Partner remuneration

All income partners are compensated based on a fixed annual salary plus an annual variable payment amount that is based on their performance. All equity partners are compensated out of Deloitte Canada’s distributable profits. The profits available for distribution are based on the results of the firm as a whole and are not allocated directly on the results of a particular service line or region. Partner compensation and earnings allocation are managed through the firm’s Leadership Development and Reward (LDR) process.

The LDR process requires that, at the start of the fiscal year, partners set goals based on the expectations for their level, role and the firm’s strategic objectives. Goals are to be set in areas such as quality, practice management and client service, leadership, community involvement and eminence, personal development and talent management and development. Each partner’s goals are subject to review and input by the firm’s senior leadership. At the end of the fiscal year, partners undergo a process that reviews their success in achieving their goals.

The LDR Committee of the Executive establishes the recommended compensation or earnings allocation for all partners except those on the Executive. This committee considers the perspectives of our businesses, regions, industries and talent teams. There is also thoughtful consideration of the quality performance of each partner as established through a comprehensive quality assessment process done under the direction of the Managing Partner, Regulatory, Quality & Risk. For audit partners, this quality assessment includes a consideration of a partner’s performance as assessed through all monitoring and inspection processes.



To ensure that audit partners focus on their primary responsibility of providing audit services of the highest quality, Deloitte policies, consistent with Canadian regulations, forbid audit partners from receiving compensation, bonuses or other direct financial incentives for selling products or services to their audit clients other than audit, review or assurance-related services.

The LDR Committee’s recommendations are approved by the Managing Partner & Chief Executive, who also recommends earnings allocation for the members of the Executive. The deliberations of the LDR Committee and the Managing Partner & Chief Executive are attended and overseen by members of the Board’s LDR & Talent Committee.

The Board’s LDR & Talent Committee is also responsible for reviewing performance and recommending earnings allocation for the Chair and the Managing Partner & Chief Executive Officer. The recommendations for partner compensation and earnings allocation for all partners are then presented by the LDR & Talent Committee to the Board of Directors for final approval.



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