

2025-2027 strategic plan

**Protecting investors:
audit regulation in an evolving environment**



Executive summary

Audits matter. The verification of financial statements is a key element of the safeguards afforded to investors in Canadian public companies. The Canadian Public Accountability Board (CPAB) was formed just over 20 years ago to provide independent regulation of these audits, to heighten protection for investors. Our team of more than 70 people, in three locations across the country, is focused on assessing and promoting audit quality and on monitoring risks and changes that impact the efficacy of Canadian public company audits and more broadly, Canadian capital markets. We aim to strengthen investor protection and implement changes that improve the consistency of audits performed in accordance with Canadian and international standards.

This strategic plan continues a journey of protecting investors in a changing environment. Audit quality has significantly improved over the last 20 years. Yet, the emergence of new and potentially transformative technologies, the implementation of new quality management standards which include a focus on firm culture and values, and the need to evolve our regulatory toolkit to keep pace with these changes are all guideposts on this journey.

New technologies, such as generative artificial intelligence, promise to improve the efficiency and effectiveness of audits. These technologies are currently being developed both in Canada and globally by audit firms and expert software providers. And skilled professionals are increasingly embedding digital into the repertoire of tools available to deliver quality audits. As regulators, we equally need to develop our digital savvy, enabling us to ask challenging questions, to probe the outputs of these technological tools and to ensure that appropriate safeguards are established.

The introduction of new international and Canadian standards on quality management, and other efforts by audit firms, have resulted, at many firms, in a reduction in significant inspection findings. Yet more work is needed. We have identified opportunities to improve the quality management systems at a number of firms. Further, this plan describes the types of incremental preventative measures, such as continuing education and additional registration processes, that we plan to put in place.

Fundamental to these systems of quality management are ethics, culture and governance. The public interest must be an auditors' north star. Audit firms need to foster corporate cultures that place value on not just strong audit quality but also doing the right thing. Ethical breaches cannot be condoned or minimized.

As the environment in which we regulate evolves, so must the tools in our regulatory toolkit. Our 2022-24 strategic plan included a commitment to update the framework for disclosure of our inspection and enforcement activities. After seeking input from audit committee chairs, investors and other stakeholders through public consultation, we have increased transparency in relation to our enforcement activities; and we are in the process of seeking approvals and required legislative change in certain Canadian provinces for amendments to our rules and the *CPAB Act* to permit us to publish more details on our regulatory assessments. As part of our 2025-27 strategic plan, we will continue to explore opportunities to hone the regulatory tools available to us, and the potential to add new ones where appropriate, that will support – through prevention and enforcement – improved audit quality and strengthen investor protection.



Our vision of CPAB in three years includes:

- Strengthened investor protection – enhanced consistency of execution of audits in accordance with standards.
- Technology is embedded into CPAB's processes and used to make CPAB's regulatory assessments and other activities more effective.
- Smaller audit firms have made meaningful advancements in their audit quality through implementation of systems of quality management.
- CPAB has an updated regulatory toolkit – providing us with a greater breadth of intervention options.

CPAB's staff and board are excited about the changes that are underway in the audit environment and committed to doing our part to foster a strong, resilient audit profession.

Signed,



Richard Payette, FCPA, GCB.D
Chair



Carol A. Paradine, FCPA, FCA
Chief Executive Officer



CPAB's core values



Committed to serving the public

- We are rigorous in our thinking as part of the broader capital market system.
- We make decisions that will protect the public interest.
- We always act with integrity, independence, fairness and objectivity.
- We assess our effectiveness and are agile in our pursuit of regulatory excellence.

Team driven and inclusive

- We share a common purpose and dedicate our combined effort to achieve that goal.
- We are proud of and value everyone's contribution regardless of role or tenure.
- We respectfully say what we think, all the time and without fear.
- We speak up when things aren't right for ourselves or others.
- We make sure everyone feels they belong.



Innovative

- We're focused on the future, informed by the past.
- We think broadly and act quickly.
- We thrive on perpetual learning.
- We don't let the quest for perfection get in the way of getting things done.
- We are curious; we ask why.

Courageous

- We engage with intention, humility, empathy and respect.
- We show resolve in the face of ambiguity and conflicting perspectives.
- We are resilient and comfortable with criticism; it usually helps us get better.
- We are willing to make unpopular decisions when it is the right thing to do.





CPAB's 2025-2027 strategic objectives





Objective 1:

Evolving audit oversight in a changing environment

The audit environment continues to change at a rapid pace, increasing the level of complexity in audits and audit oversight. This rapid pace of change creates both opportunities for improved audit quality and the potential risk of poor audit outcomes and heightened risks to investors.

CPAB will evolve our oversight activities in this changing environment by:

1. Influencing audit firms on how they develop and integrate controls and processes into their use of new and emerging technologies.
2. Integrating generative artificial intelligence (AI) and other emerging technologies into our processes to improve the efficiency and effectiveness of our oversight regime, and expanding technological skillsets and capabilities at the staff and management level.
3. Preparing for sustainability assurance regulation in Canada by monitoring related developments both in Canada and internationally and adapting our oversight activities accordingly.
4. Assessing the impact of emerging issues on fraud risk and identifying and sharing good practices to address these risks.





Objective 2:

Putting investors first – raising the bar for audit ethics, culture and governance

Ethical behaviour is the foundation of an auditor’s reputation and of the public’s trust in the auditing profession. High quality audits depend not just on the technical expertise of auditors, but on the ethics, culture and governance of audit firms. The ownership structure of an audit firm can also drive behaviours. Competing priorities within audit firms must not distract from auditors’ public interest responsibility to investors.

CPAB will address ethics, culture and governance at audit firms by:

1. Conducting regulatory assessments of firms’ systems of quality management, including, where appropriate, providing recommendations in firm inspection reports, which the audit firm is required to implement.
2. Coordinating activities through the International Forum of Independent Audit Regulators and through international standard setters – allowing CPAB and other regulators to address this issue with the global audit firm leadership.
3. Promoting our whistleblower program and encouraging strong, visible whistleblower programs at audit firms.
4. Sharing good practices that reinforce strong culture and reduce ethical breaches.





Objective 3:

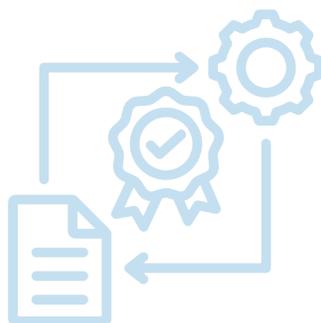
Fostering an environment that supports improved audit quality at smaller firms

In recent years, CPAB has observed increasing instances of inconsistent audit quality results at some audit firms that do not have the support of global networks to develop training and other audit materials and who are in the earlier stages of their implementation of systems of quality management.

A pragmatic approach to improving audit quality at these firms will provide more choice for reporting issuers seeking high quality auditors and will benefit the investing public.

CPAB will foster an environment that supports improved audit quality at smaller firms by:

1. Identifying and monitoring audit quality trends at these firms and sharing good practices to address challenges, while maintaining open and constructive engagement with firm management and the audit committees of their reporting issuers.
2. Collaborating with other regulators to learn from experiences of other jurisdictions and to identify additional opportunities to improve audit quality in Canada.
3. Working with firms throughout the registration process to proactively identify factors that could lead to audit quality risks and challenges in audit engagements.





Objective 4:

Enhancing our regulatory toolkit – increasing transparency and strengthening consequences

CPAB is partway through a multi-year initiative to enhance our regulatory toolkit, including completing the implementation of proposed changes to the information that we disclose about the results of our regulatory assessments. The changes not yet implemented require legislative and regulatory approval in various jurisdictions across Canada.

Enhancing our regulatory toolkit to include tools that introduce additional consequences will be a deterrent to conduct which reduces confidence in the capital markets. New regulatory tools will provide CPAB with greater flexibility, the ability to implement more appropriately tailored enforcement actions and strengthen our ability to protect the investing public.

CPAB will enhance our regulatory toolkit by:

1. Ensuring that every audit committee of reporting issuers where we inspect their audits, receives their tailored inspection report.
2. Publishing summarized inspection reports for audit firms we inspect.
3. Enhancing the breadth of regulatory mechanisms, including preventative tools such as continuing education and stricter registration requirements, as well as enforcement tools such as fines and disgorgement (repayment of profits earned while engaged in activities that break the rules).





Foundational enablers

Our success in delivering on the strategic objectives outlined in this plan depends on core foundational enablers that drive our work and actions.

Our team and talent

We live our values, strive for operational excellence and celebrate diversity, equity and inclusion in all we do.

Our operations

We embrace the digital evolution and are innovative in identifying opportunities to enhance our processes.

Our communications

We provide transparent and balanced reporting of the results of our regulatory assessments and educate our stakeholders on audit quality risks.

Our regulatory network

We collaborate with other regulators both within Canada and internationally to proactively address audit quality risks and identify opportunities to improve our regulatory oversight activities and protection of the investing public.



Measuring success

From now until the end of 2027, CPAB will assess its progress towards its strategic objectives as well as the progress of participating audit firms in delivering high-quality audits.

Annual operating plans, including goals, actions and performance targets, will drive progress towards CPAB's strategic objectives.

CPAB key performance measures

Evolving audit oversight in a changing environment

By 2027, CPAB has performed a thematic review of all annually inspected firms' use of technology within their financial statement audits.

Putting investors first – raising the bar for audit ethics, culture and governance

CPAB will include commentary on, and where appropriate recommendations related to, ethics, culture and governance in every annually inspected firm report and escalate any system of quality management deficiencies that are not addressed by the audit firms.

Fostering an environment that supports improved audit quality at smaller firms

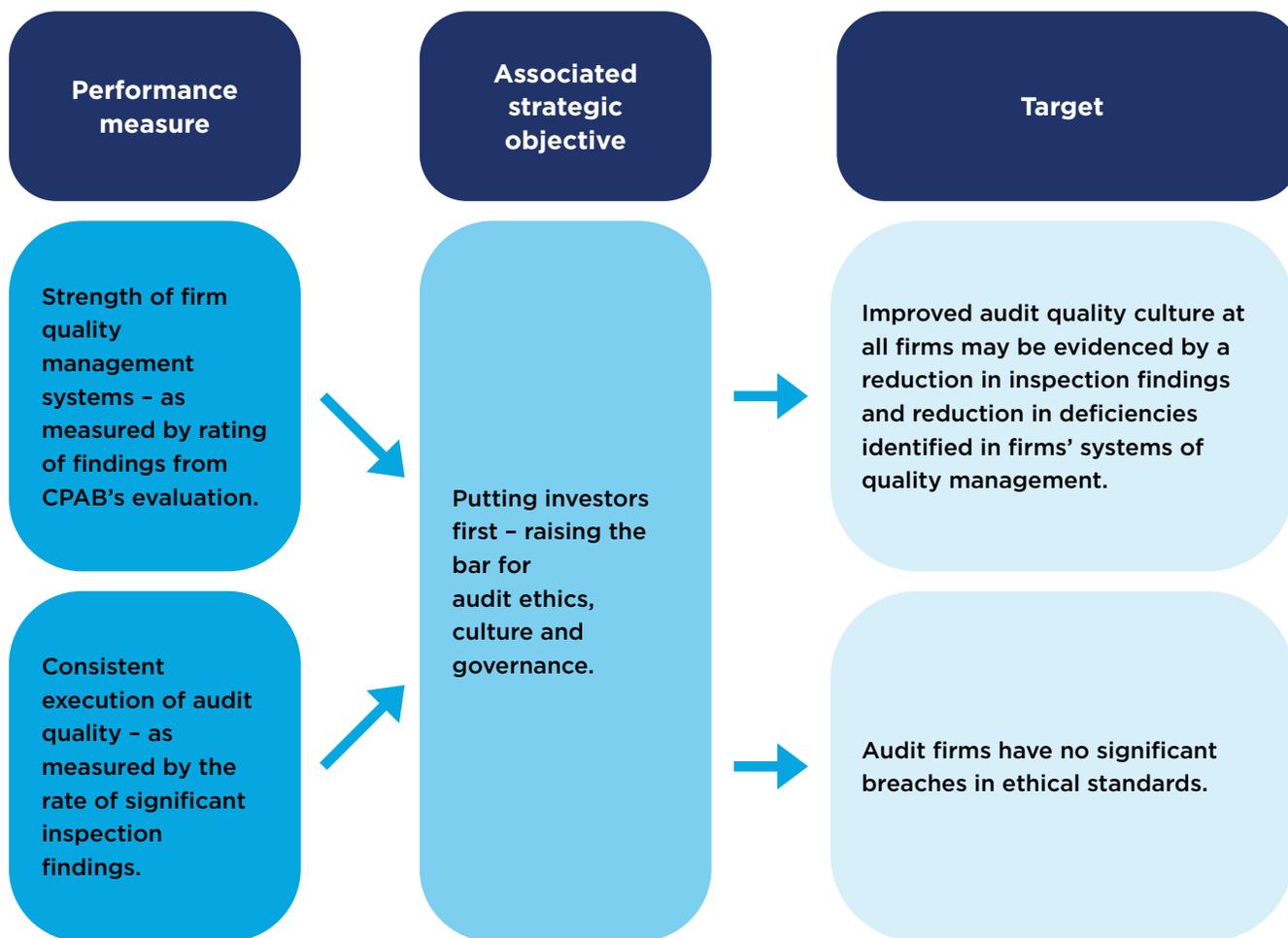
CPAB will increase the resources available to small firms and implement changes to CPAB's registration process that increase the initial inquiries related to firms' systems of quality management.

Enhancing our regulatory toolkit – increasing transparency and strengthening consequences

CPAB has taken the necessary steps to broaden our regulatory toolkit in order to incorporate additional preventative and enforcement measures.



Participating audit firm quality targets





About CPAB

The Canadian Public Accountability Board (CPAB) is Canada's independent, public company audit firm regulator. Charged with overseeing audits performed by registered public accounting firms, CPAB contributes to public confidence in the integrity of financial reporting and is committed to protecting Canada's investing public. CPAB promotes audit quality through proactive regulation, dialogue with domestic and international stakeholders, and practicable insights to inform capital market participants. CPAB has offices in Montreal, Toronto and Vancouver.

Learn more

-  Visit www.cpab-ccrc.ca
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