

This order (the “Order”) is effective as of September 28, 2021 (the “Effective Date”).

B E T W E E N:

CANADIAN PUBLIC ACCOUNTABILITY BOARD

- and -

DELOITTE CANADA LLP

ORDER

PART I – Preamble

1. Pursuant to Section 500 of the Rules of the Canadian Public Accountability Board (CPAB) (the “Rules”), as authorized by the *Canadian Public Accountability Board Act*, R.S.O. 2006, C. C-33 (the “Act”), members of CPAB’s staff conducted an Investigation (as that term is defined by the Rules) into the allegations contained in this Order.
2. CPAB asserts that the circumstances referred to in the allegations constitute a violation event (as that term is defined in the Rules) and as a result is ordering the imposition of requirements, restrictions or sanctions under Rule 601.
3. CPAB takes into account the Firm’s extraordinary cooperation in this matter, including self-reporting, substantial assistance, personnel and policy actions and cumulative training.
4. The Firm has agreed to waive the 15-day period under Section 603 of the Rules for delivering a petition for review and has agreed not to file a petition for review under Section 603 of the Rules on the basis that it does not admit or deny, on behalf of itself or any of its professionals, the allegations contained in this Order.

5. The Firm and CPAB have entered into a settlement agreement which CPAB's board of directors has approved. Solely for purposes of these proceedings and any other proceedings brought by or on behalf of CPAB, or to which CPAB is a party, and without admitting or denying the findings herein, except as to CPAB's jurisdiction over the Firm and the subject matter of this investigation, which is admitted, the Firm consents to the details of this Order.
6. This Order may not be relied upon by any person or entity other than the CPAB in any proceeding against the Firm or against its individual audit professionals whatsoever.

PART II – Facts

7. Deloitte LLP is a public accounting firm organized as a limited liability partnership under the laws of Ontario, Canada, and headquartered in Toronto, Ontario. The Firm is, and at all relevant times was, registered with CPAB pursuant to section 8 of the *Act* and section 200 of the Rules. During the relevant period, the Firm was registered with CPAB as a participating audit firm and served as the auditor for approximately 800 reporting issuer clients.
8. Prior to November 2016, Deloitte's electronic work paper system ("system" or "work paper system") allowed Firm personnel to document their performance and review of audit work by manually selecting preparer and reviewer sign-off dates for each work paper.
9. In November 2016, the Firm updated its electronic work paper system and removed its personnel's ability to manually select sign-off dates. Under the new system, when an auditor entered a sign-off, the current date as reflected on the auditor's computer was automatically generated.
10. At the time the Firm was preparing to implement the update, certain personnel in the Firm's National Office were aware of the possibility of circumventing the new system's restriction on selecting sign-off dates. Specifically, the National Office personnel were aware of a risk that, although the updated system automatically generated sign-off dates based on a computer's settings, auditors could change the date settings on their computers and thereby alter sign-off dates.

11. Based on that awareness, National Office personnel responsible for implementing the new system considered issuing guidance instructing Firm auditors not to circumvent the new system's sign-off restrictions by changing their computer settings. Ultimately, they chose not to do so based on their understanding at the time that such changes could not be systematically prevented or detected.
12. Shortly after the Firm's implementation of the updated system, Firm personnel in certain engagements began changing the date setting on their computers to backdate work paper sign-offs. Specifically, from November 2016 through early March 2018, in connection with 29 reporting issuer clients, Firm personnel changed the settings on their individual computers to backdate numerous work paper sign-offs.
13. This backdating of sign-offs occurred in connection with engagement teams' assembling a complete and final set of work papers for retention, or earlier, in the engagements. It often resulted from an engagement team member running a Deloitte software program to detect work papers with missing sign-offs or inconsistencies, such as a preparer sign-off that post-dated a reviewer sign-off. After running the program, the engagement team member would direct other team members, including partners, to insert missing sign-offs and backdate them to earlier dates.
14. In February 2018, a Deloitte auditor raised a concern with senior Firm personnel about auditors altering the clocks on their computers to complete work paper sign-offs. In response, the Firm identified and implemented in early March 2018 a method to remove personnel's ability to change the date settings on their computers, which prevented backdating of work paper sign-offs. The Firm also promptly instructed auditors to "[a]lways use the actual date on when the physical sign-off occurs."

PART III – The Firm Violated Canadian Auditing Standards and Standards on Quality Control

15. Pursuant to CPAB Rule 301, a participating audit firm must comply with all auditing standards generally accepted in Canada, as set out in the Assurance Handbook of the Canadian Institute of Chartered Accountants.

16. Based on the conduct described above, Deloitte violated the Canadian Auditing Standards (“CAS”) and the Canadian Standards on Quality Control (CSQC 1) (the “violation event”). From November 2016 through early March 2018, the Firm failed to establish and communicate policies and procedures to provide reasonable assurance that the work performed by engagement personnel met applicable professional standards, regulatory requirements, and the Firm’s standards of quality control with respect to documenting the dating of work paper sign-offs as required by CAS 230 and CSQC 1.¹
17. Specifically, when the Firm upgraded its work paper system to eliminate the ability to manually select sign-off dates, it failed to establish and communicate appropriate and effective written policies and guidance and failed to provide sufficient training to personnel about the upgrade and its purpose. The Firm failed to do so despite National Office personnel being aware of the risk that the new system’s restrictions could be overridden to backdate work paper sign-offs.
18. The Firm’s quality control violations in turn resulted in, or contributed to, violations of audit documentation standards concerning the dating of work papers over a 16 month period. Firm personnel’s conduct of changing their computer settings to back date work paper sign-offs had the effect of obscuring when the work was actually performed and reviewed in violation of CAS 230.²

PART IV – Mitigating Factors

19. CPAB took into account the Firm’s extraordinary cooperation in this matter when determining the requirements, restrictions or sanctions under Rule 601 to be imposed. Specifically, the Firm:
 - a. Self-reported the conduct described in this Order;
 - b. Provided substantial assistance to CPAB’s investigation, including by conducting its own extensive internal investigation and sharing the results of that internal investigation with CPAB staff;

¹ CAS 230 at paragraphs 8 and 9 and CSQC 1 at paragraph 32.

² CAS 230 at paragraphs 8 and 9.

- c. Disciplined personnel identified by the Firm as involved in the conduct;
- d. Implemented enhancements to its quality control policies and procedures in relevant areas; and
- e. Conducted further training of its audit professionals.

PART V – Requirements, Restrictions or Sanctions

20. In view of the foregoing, and to protect the interests of investors and further the public interest in the preparation of informative, accurate, and independent audit reports, the Board determines it appropriate to impose the following requirements, restrictions or sanctions under Rule 601 :

- a. The Firm shall be publicly censured, pursuant to section 601(h) of the CPAB Rules;
- b. Within 120 days of the date of this Agreement, the Firm shall review, revise, or supplement, as necessary, its quality control policies and procedures, including monitoring procedures, to provide the Firm with reasonable assurance that personnel comply with applicable audit documentation requirements and Firm policies concerning the dating of the completion of work performed and the dating of the review of work papers, pursuant to section 601(b) of the CPAB Rules;
- c. Within 120 days of the date of this Agreement, the Firm shall ensure that all Firm professionals, involved in any audit of a Canadian reporting issuer, have received cumulatively four (4) hours of additional training concerning compliance with auditing standards, including CAS 230, pursuant to section 601(a) of the CPAB Rules;
- d. The Firm shall certify in writing to the CPAB's Senior Director, Enforcement and Discipline or their designate, the Firm's compliance with paragraphs (b) and (c) above. The certification shall provide written evidence of compliance in the form of a narrative and be supported by exhibits sufficient to demonstrate compliance. The Firm shall submit such certification within 150 days from the effective date of this Agreement. The Firm shall also submit such additional evidence and information concerning compliance as CPAB may reasonably require; and

- e. The Firm shall pay \$100,000 to the CPAB, pursuant to paragraph 2(d) of the Participation Agreement³ and section 601(i) of the CPAB Rules, for the costs of the CPAB's investigation and any costs associated with the CPAB's monitoring of the Firm's compliance with the above requirements.

³ Agreement between Deloitte LLP and CPAB executed March 24, 2020.