

This order (the “Order”) is effective as of February 3, 2022 (the “Effective Date”).

B E T W E E N:

CANADIAN PUBLIC ACCOUNTABILITY BOARD

- and -

PRICEWATERHOUSECOOPERS LLP (“PwC” or the “Firm”)

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 the 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 and Sanctions.
3. CPAB takes into account the Firm's extraordinary cooperation in this matter, including self reporting, conducting an internal investigation, and remedial actions, as described in more detail below.
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. The Agreement was entered into by the Firm solely for purposes of achieving a

resolution on its behalf with CPAB. It may not be relied upon by any person or entity other than CPAB in any proceeding against the Firm or against its individual audit professionals whatsoever.

PART II – Facts

The Respondent

6. PwC is an Ontario limited liability partnership headquartered in Toronto, Ontario. PwC has 21 offices in multiple locations across Canada. It is a member firm of the PricewaterhouseCoopers International Limited global network of firms (“PwC Global”). Pursuant to National Instrument – 52-108 Auditor Oversight, auditors of reporting issuers are required to be registered with CPAB as a Participating Audit Firm (**PAF**). Only CPAB PAFs are authorized to audit financial statements issued by Canadian reporting issuers. The Firm was, at all relevant times, registered with CPAB. During the period covered by this settlement, the Firm served as the auditor for over 550 Canadian reporting issuers¹. Additionally, at all relevant times, the Firm performed audit work that other PAFs, including member firms of PwC Global, used, or relied on in issuing audit reports for Canadian reporting issuers.

Summary

7. From at least 2016 until early 2020, PwC violated CPAB rules and quality control standards related to integrity and personnel management by failing to establish appropriate policies and procedures for administering and overseeing internal training tests², including tests designed to help the Firm’s audit professionals satisfy the requirements for maintaining their accounting certifications. Those quality control failures prevented the Firm from identifying that more than 1,200 Firm professionals were involved in improper answer sharing either by providing or receiving answers in connection with tests for mandatory internal training courses covering topics that included auditing, accounting and professional independence. More than 1,100 of these professionals were from the Firm’s Assurance practice.

¹ Excluding fund families and exchange traded funds.

² CSQC 1, section 20 and 48.

8. After discovering the training-related misconduct in January 2020, PwC reported the matter to the CPAB, conducted an internal investigation, and began implementing remedial policies and procedures.

PwC Canada violated CPAB rules and Canadian Quality Control and ethics standards

9. CPAB rules require that a PAF comply with the Canadian Standards on Quality Control (“CSQC 1”) which mandate that a PAF have a system of quality control for its audits and reviews of financial statements and other assurance engagements.³
10. As part of a firm’s system of quality control the firm is required to “establish policies and procedures designed to provide it with reasonable assurance that the firm and its personnel comply with relevant ethical requirements”.⁴ Furthermore CSQC 1 requires that a firm establish policies and procedures designed to provide it with reasonable assurance that it has sufficient personnel with the competence, capabilities and commitment to ethical principles necessary to perform engagements in accordance with professional standards and applicable legal and regulatory requirements.⁵
11. In addition to this, professional standards in Canada require that a firm shall establish, maintain and uphold appropriate policies and procedures designed to ensure that, in the conduct of the practice, the members who are associated with the firm perform their professional services in accordance with ethical standards.
12. The CSQC 1 standards also set out that a firm must establish a monitoring process “designed to provide it with reasonable assurance that the policies and procedures relating to the system of quality control are relevant, adequate and operating effectively”.⁶

Training requirements for PwC personnel

13. As part of PwC’s personnel management system, the Firm administers an internal training program for all of its professionals. The Firm has designed its training program to serve multiple

³ CPAB Rule 303-304 and CSQC 1 section 1.

⁴ CSQC 1, section 20. In Canada, relevant ethical requirements establish fundamental principles of professional ethics, which include, integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour (CSQC 1 CA7).

⁵ CSQC 1 section 29.

⁶ CSQC 1, section 48.

purposes, including to provide Firm personnel with technical instruction, to further their professional development, and to satisfy some of the continuing professional education requirements imposed by the accountancy boards that grant CPA certifications to the Firm's auditors. The Firm's training requirements vary by each professional's position, role and industry practice area, and are intended to be relevant to, among other things, the independence of its personnel, the audit work they perform and the integrity with which they carry out their professional responsibilities. The Firm's internal training often includes a testing component.

14. Since at least 2016, the Firm has utilized an online platform to offer training to its personnel.

The platform enables the Firm to deliver, track, and record completion of mandatory training and testing. The platform records the dates and times when personnel access and complete mandatory training and testing. For training courses with a testing component, the Firm does not credit personnel with completing the training until they satisfactorily pass the related test.

15. Since at least 2016, the Firm has required all personnel to take certain online courses, including courses containing content regarding professional independence and performing professional responsibilities with integrity. These courses include a testing component at the end. During the same period, the Firm has also administered a number of online courses related to auditing and accounting. The particular courses the Firm's auditors must take vary based on their experience levels. Many of these audit-related courses include a testing component and are mandatory for the Firm's audit personnel.

PwC failed to establish adequate quality control policies and procedures related to integrity and personnel management

16. Between 2016 and early 2020, PwC had in place certain quality control policies and procedures intended to address integrity and personnel management. None of those policies and procedures, however, were designed to provide reasonable assurance that Firm personnel acted with integrity when taking internal training tests. In fact, on only one occasion between 2016 and early 2020 did the Firm formally advise its assurance personnel that they should perform training tests on their own. During this time period, the Firm also employed certain monitoring procedures related to internal training, but those procedures were limited to tracking completion of courses and related tests. The monitoring procedures were not designed to detect other compliance issues, such as answer sharing.

17. As described below, these policies and procedures were inadequate to prevent or detect the extensive answer sharing on training tests that occurred among Firm personnel over multiple years.

Widespread Sharing of Answers to Training Tests at PwC

18. From at least 2016 to early 2020 more than 1,200 PwC personnel were involved in improper answer sharing related to training tests. Firm personnel primarily shared answers through use of several shared drives that professionals had created on the Firm's computer network ("**Shared Drives**"), and on which professionals had posted the answers for others to view and provide supplemental answers. In addition, individuals also shared answers by sending emails with attached documents containing answers to training test questions, by providing answers in hard copy documents, or by discussing answers when taking tests in the presence of others.

19. Instances of improper answer sharing primarily occurred in connection with tests that were a part of the Firm's mandatory Assurance training. The Shared Drives contained answers for at least 46 of the Firm's approximately 55 mandatory assurance tests, as well as answers for some mandatory Firm-wide tests containing content concerning professional integrity and professional independence.

20. Improper sharing of training test answers occurred among junior staff, managers, directors and partners at the Firm. After Firm leadership learned of the practice, it conducted an internal investigation. The Firm's investigation revealed that the misconduct was widespread within the Firm's audit practice, including among those who performed work on audits governed by CPAB standards. At least 1,100 professionals in the Firm's assurance practice were involved in answer sharing.

21. As illustrated by the misconduct described above, from 2016 to early 2020, PwC failed to establish policies and procedures, including monitoring procedures, to provide the Firm with reasonable assurance that (1) the Firm and its personnel comply with relevant ethical requirements (2) personnel to whom work was assigned had the degree of technical training and proficiency required in the circumstances; and (3) personnel participated in general and industry specific continuing professional education that enabled them to fulfill responsibilities assigned and satisfy applicable continuing professional education requirements of regulatory

agencies. Accordingly, the Firm violated CSQC 1 standards and professional standards in Canada pertaining to ethics and personnel management.⁷

Part III – Requirements, restrictions, and sanctions

22. In assessing the appropriate requirements, restrictions and sanctions under Section 600 of the Rules, CPAB considered PwC's extraordinary cooperation in this matter, including that the Firm voluntarily self-reported the matter to CPAB staff after learning about the misconduct, conducted an internal investigation and promptly implemented remedial measures including conducting periodic searches across certain firm systems to identify improper answer sharing and requiring personnel to re-take certain training and testing, the completion of a mandatory ethics confirmation statement prior to personnel completing a training assessment, and a mandatory ethics training course and module. The Firm also took disciplinary action against numerous personnel ranging from termination to written reprimands. The Firm also provided substantial assistance to CPAB's investigation by holding regular update calls with CPAB staff. The Firm has agreed with CPAB to take further actions in connection with the conduct referenced above.
23. 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, in addition to other actions agreed upon between the parties, CPAB determines it appropriate to impose the following Requirements and Sanctions agreed to by the parties:
- I. The Firm shall be publicly censured, pursuant to section 601(h) of the Rules.
 - II. The Firm shall pay up to a maximum of \$200,000 to CPAB, pursuant to paragraph 2(d) of the Participation Agreement⁸ and section 601(i) of the Rules, for the costs of CPAB's investigation and any costs associated with CPAB's monitoring of the Firm's compliance with the Requirements and Sanctions outlined in this Agreement.
 - III. Establish, revise, or supplement, as necessary, policies and procedures, including monitoring procedures, to provide the Firm with reasonable assurance that:

⁸ Agreement between PwC and CPAB executed by both parties in April 2020.

- a. personnel perform all internal training and tests associated with such training with integrity;
 - b. Personnel to whom work has been assigned have the degree of technical training and competence required in the circumstances;
 - c. personnel participate in general and industry-specific continuing professional education and other professional development activities that enable them to fulfill responsibilities assigned; and
 - d. the above-described policies and procedures are suitably designed and are being effectively applied.
- IV. The Firm shall certify in writing to CPAB's 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.