Canadian Public Accountability Board
Conseil canadien sur la reddition de comptes

*This Order (the "**Order**") is effective as of July 31, 2026 (the "**Effective Date**").*

B E T W E E N:

CANADIAN PUBLIC ACCOUNTABILITY BOARD

- and -

ERNST & YOUNG 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***"), staff members of the Canadian Public Accountability Board ("**CPAB**"), with the assistance of external legal counsel, conducted an Investigation (as that term is defined by the Rules) into Ernst & Young LLP ("**EY-Canada**") with respect to the allegations described in this Order.

2. CPAB has determined that the facts described below constitute a violation event (as defined by the *Act* and the Rules) committed by EY-Canada. CPAB is therefore ordering the imposition of the Requirements and Sanctions set out in this Order.

3. In making this determination, CPAB has considered EY-Canada's continuous cooperation with CPAB and extensive effort taken throughout this comprehensive Investigation, including the voluntary steps EY-Canada has taken beyond those required and the remedial measures that EY-Canada has already proactively implemented as described in more detail below. CPAB has also considered EY-Canada's submissions regarding the facts uncovered by the Investigation and its

submissions regarding the appropriate Requirements and Sanctions.

4. CPAB and EY-Canada have entered into a settlement agreement that has been approved by CPAB's Board of Directors. The settlement agreement has been entered into by EY-Canada solely for the purpose of achieving a resolution of this matter with CPAB, and under said agreement EY-Canada neither admits nor denies the facts found by CPAB in the Investigation, as set out in this Order. Neither this Order nor the settlement agreement between EY-Canada and CPAB may be relied on by any person or entity other than CPAB in any proceeding against EY-Canada, or any individual audit professionals at EY-Canada.

PART II - Facts

Summary

5. From at least 2017 until the second half of 2020, EY-Canada violated the Rules and the applicable quality control standards related to integrity and personnel management as a result of its professionals engaging in cheating on the assessments for EY Learning Courses. (Incidents of answer sharing also occurred in 2014-2016, however, the Investigation did not focus on that time period.) Moreover, from 2017 to the second half of 2024, EY-Canada violated the Rules and the applicable quality control standards by not implementing a monitoring system designed to detect cheating on assessments.

6. From at least 2017 to the middle of 2020, there was widespread improper answer sharing[1] by EY-Canada professionals on EY Learning Course assessments which took place via email correspondence. The Investigation found that improper answer sharing by EY-Canada professionals continued to occur via email and Microsoft Teams from the middle of 2020 to 2024, though the number of incidents that were identified during this period declined significantly, as

[1] In this Order, "improper answer sharing" means creating, sending, or receiving answers with respect to EY-Canada's continuing professional education course assessments.

compared to 2017-2020.

7. In 2017, EY-Canada began introducing controls that were intended to prevent improper answer sharing and cheating on EY Learning Course assessments. As early as November 2019, EY-Canada became aware that Ernst & Young LLP ("EY-US") was conducting an internal investigation into cheating by EY-US professionals. Prior to mid-2024, EY-Canada did not implement a monitoring system designed to determine whether the controls it had introduced starting in 2017 were effective at preventing answer sharing.

EY-Canada and the EY Network

8. EY-Canada is an Ontario limited liability partnership that is wholly owned by its Canadian partners who are Chartered Professional Accountants. EY-Canada has over 8,000 employees, including over 1,600 assurance professionals, based in 16 offices across Canada. EY-Canada is managed by its Chair and Chief Executive Officer, supported by its Executive Committee—at the relevant time, consisting of the managing partners for the assurance, consulting, tax, strategy, and transactions service lines, as well as EY-Canada's general counsel and its managing partner of talent—and a broader leadership team. As of December 31, 2024, EY-Canada has approximately 1,228 clients that are Canadian reporting issuers.

9. EY-Canada is the Canadian member firm of Ernst & Young Global Limited ("**EY-Global**"). While EY-Canada, as a separate legal entity, retains autonomy over its operations, as a member firm of EY-Global, EY-Canada is required to adopt certain regulations, standards, methodologies, and policies, including those regarding audit methodology, quality and risk assessment, independence, knowledge sharing, and talent and technology.

10. EY-Canada is also a member of Ernst & Young Americas LLC ("**EY-Americas**"), which serves as a vehicle for coordinating and sharing information between EY-Global and its member firms, and

between the members of EY-Americas, including between EY-Canada and EY-US. Like EY-Global, EY-Americas has no direct management or governance authority over EY-Canada.

11. Pursuant to National Instrument – 52-108 Auditor Oversight, auditors of reporting issuers are required to be registered with CPAB as a Participating Audit Firm. Only Participating Audit Firms are authorized to audit financial statements issued by Canadian reporting issuers. EY-Canada was, at all relevant times, registered with CPAB as a Participating Audit Firm.

EY Learning Courses

12. Chartered Professional Accountants ("**CPAs**") are required to complete a specified number of continuing professional education hours ("**CPE Courses**") every year to maintain their CPA designation. In addition, EY-Canada is subject to EY-Global's "Assurance Continuing Education" policy, which requires the Firm's assurance professionals to complete at least 20 hours of learning every year and 120 hours of learning within a three-year period. EY-Canada assurance professionals may fulfill these requirements by completing courses offered by EY ("**EY Learning Courses**").

13. Approximately 25% of EY-Canada's mandatory EY Learning Courses are developed internally, while nearly all of the remaining EY Learning Courses completed by EY-Canada professionals are created by EY-Global or EY-US. All EY Learning Course assessments are administered through "SuccessFactors", EY-Canada's continuing education platform. Some EY Learning Courses are only offered to assurance professionals during specified times of the year.

EY-Canada's Controls to Prevent Cheating on EY Learning Courses

14. Between 2017 and the present, EY-Canada has employed the following controls to prevent cheating generally and improper answer-sharing specifically on the assessments professionals are required to complete for the EY Learning Courses:

(a) **The EY-Global Code of Conduct** – Every EY-Canada employee is required to annually affirm the EY-Global Code of Conduct, which requires that all employees act with professional integrity. Starting in 2021, EY-Canada began expressly advising employees as a part of its **training** materials that answer sharing and working in groups to complete EY Learning Course assessments was a breach of the Code of Conduct.

(b) **Messaging Regarding Academic Integrity** – Since at least 2017, EY-Canada has communicated regularly to its professionals about the importance of upholding EY-Canada's values, including ethics and integrity. Starting in 2019, EY-Canada began specifically and regularly messaging to its professionals the importance of academic integrity, including that it was improper to share answers on EY Learning Course assessments.

(c) **Warnings and Attestations** – In the fall of 2017, EY-Canada began sending a warning email to every participant in its internally created EY Learning Courses, reminding them that they must complete assessments without the assistance of others. In 2019, an attestation was introduced for all EY Learning Courses created by EY-Canada, which required participants to confirm that they would complete the assessment without the assistance of others. In November 2020, EY-Global began requiring that all EY Learning Course participants complete a signed attestation prior to each learning assessment stating that they are aware that cheating on an assessment is a violation of the EY-Global Code of Conduct and may result in disciplinary action, and affirming their responsibility to complete the assessment on their own. EY-Canada adopted this attestation.

(d) **Randomization of Assessment Questions and Answers** – In 2017, EY-Canada introduced two-layer randomization on the assessments for the EY Learning Courses it had developed, whereby the questions would be randomly selected from a pool of questions that was twice as large as the total number of questions on each assessment and the order of the questions would be randomized for each participant. In July 2020, EY-Global introduced and EY-Canada adopted three-layer randomization for all EY Learning Course assessments, pursuant to which the questions were randomly selected from a pool of questions that was twice as large as the number of questions asked, and both the order of the questions and the order in which the answers appeared were randomized for each participant. EY-Global developed the three-layer randomization and attestation controls during the period of EY-US' investigation.

(e) **Limiting the Number of Attempts** – Starting in 2019, EY-Canada began limiting participants to two attempts to pass each EY Learning Course assessment.

(f) **EY-Canada Ethics Hotline** – EY-Canada maintains an ethics hotline for its professionals to report unprofessional conduct, including violations of the Code of Conduct. EY-Canada messages to its professionals that they are required to report any observed violations of EY's Code of Conduct. The failure to report such incidents is inconsistent with the Code of Conduct. No incidents of answer sharing or any other methods of cheating on EY Learning Course assessments were reported to the ethics hotline during the relevant period.

15. While EY-Canada implemented and employed each of the above controls at various times as a means to prevent cheating, including answer sharing, on EY Learning Course assessments, EY-Canada did not evaluate the effectiveness of these controls at preventing answer-sharing nor employ specific controls to monitor whether its professionals were engaging in improper answer sharing or other forms of cheating on EY Learning Course assessments until 2024 (aside from the ethics hotline).

16. In 2024, EY-Global implemented a pilot program whereby communications of EY personnel taking

certain EY Learning Courses are screened for potential evidence of cheating (the "**Global Monitoring Program**"), the results of which are then shared with the relevant EY member firms, including EY-Canada.

17. In 2025, EY-Canada implemented a monitoring program (the "**Canadian Monitoring Program**") to review assurance professionals' communications for potential evidence of cheating on EY Learning Course assessments during the previous year, starting with the Firm's 2025 fiscal year (July 1, 2024 to June 30, 2025).

18. In the spring of 2025, EY-Canada committed to CPAB that to the extent the Canadian firm has knowledge, EY-Canada's Chief Ethics Officer will oversee a process to consider ethical matters reported from the EY Member Firms to determine whether there may be an increased risk of occurrence or reoccurrence of such matters at EY-Canada.

Answer Sharing by EY-Canada Assurance Professionals

19. The Investigation focused on the period from 2017 to 2025, finding that improper answer sharing on EY Learning Course assessments was widespread within EY-Canada from 2017 to mid-2020. The Investigation also identified instances of answer sharing that took place in 2014-2016, and a significantly lower number of incidents that occurred from mid-2020 to 2024.

20. The Investigation identified over 500 EY-Canada professionals (including both current and former employees) engaged in improper answer sharing during the relevant period. While the overwhelming majority of the professionals who engaged in improper answer sharing held junior level positions, the participants in answer sharing spanned all levels of professionals at EY-Canada, including two partners. Most of the incidents of improper answer sharing related to technical accounting courses, including courses that were part of EY-Canada's annual core audit training, and those relating to US Generally Accepted Accounting Principles (US GAAP) and International

Financial Reporting Standards (IFRS). The incidents of improper answer sharing also typically occurred around the same times each year, coinciding with the annual core audit training for junior professionals.

21. The Investigation found that the incidents of improper answer sharing by EY-Canada assurance professionals significantly declined starting in mid-2020.

22. The Investigation found that prior to 2020, many EY-Canada assurance professionals considered answer sharing to be "common" and not a "big deal", such that most professionals interviewed could not recall having engaged in the conduct, despite stating that they knew it was contrary to the EY-Global Code of Conduct. Several EY-Canada professionals also indicated that answer sharing would take place out in the open, with professionals collaborating in classrooms to complete EY Learning Course assessments.

23. Most of the professionals who were interviewed during the Investigation reported that following the increased messaging and introduction of increased controls in 2019 and 2020, there was a "shift" in their understanding about the Firm's expectations around cheating and not sharing of answers on assessments.

Answer Sharing Identified by EY-US and EY-Canada's Response

24. In June of 2019, EY-US received a tip that one of its audit professionals had engaged in answer sharing with respect to a state CPA ethics exam. This resulted in an extensive internal investigation that, by the fall of 2019, revealed that a significant number of audit professionals had been cheating on state CPA exams and EY Learning Course assessments. The United States Securities and Exchange Commission (the "**SEC**") and the Public Company Accounting Oversight Board were subsequently informed about the internal investigation. A consent order was issued by the SEC on June 28, 2022, which found that hundreds of EY-US professionals had cheated on state CPA exams and EY Learning Course assessments.

25. While EY-US' internal investigation was focused on identifying answer sharing by EY-US professionals, in or around October 2019, the internal investigation identified an instance where an answer key to an EY Learning Course assessment was circulated amongst EY-Canada professionals. As instances of potential answer sharing by EY professionals outside the US were beyond the scope of EY-US' internal investigation, members of EY-US' General Counsel's Office subsequently informed representatives of EY-Global's General Counsel's Office about this incident involving EY-Canada Professionals. EY-US provided information to EY-Global in February and March 2020, which identified potential improper answer sharing involving specific EY-Canada professionals on EY Learning Course assessments. The conduct of these EY-Canada professionals was not investigated further by EY-US and no findings about their conduct were made.

26. Various representatives of EY-Canada first became aware of the fact of a confidential EY-US' internal investigation into answer sharing by US audit professionals through participation in EY network firm meetings in early November 2019: first at a meeting of the EY-Americas Area Counsel group; and then a few days later at a meeting of the EY-Americas Risk Management Council. In February 2020, the EY-US internal investigation was on the agenda of a meeting of the EY-Americas Ethics Oversight Board at which an EY Canada representative was in attendance. EY-US' internal investigation may also have been raised at a meeting of the EY-Americas Talent Executive Committee at some point during this period. In February 2021, a representative of EY-Canada attended a meeting held by EY-Americas Area Learning and Talent leadership to discuss controls to prevent cheating.

27. During the course of the EY-US internal investigation, a member of the EY-US' General Counsel's Office (the "**US GCO Member**") became aware of certain emails involving EY-Canada personnel who may have been involved in potential answer sharing. After becoming aware of these emails, the US GCO Member recalls initiating a 30-minute virtual meeting with a member of EY-Canada's

General Counsel Office (the "**Canada GCO Member**") at some point before mid-March 2020. The US GCO Member stated that they recall discussing the investigation being conducted by EY-US and that they used a screen share feature of either Skype or Teams to show the Canada GCO Member the identified emails. The US GCO Member further stated that they believe the emails included a handful of EY-Canada personnel, although they did not recall the specifics of the emails and did not recall the names of any EY-Canada personnel identified. Nor did they recall sending any documents to the Canada GCO Member or anyone else at EY-Canada regarding this topic.

28. The Canada GCO Member had no recollection of meeting with the US GCO Member. Nor did the Canada GCO Member recall ever being told that EY-US had identified EY-Canada professionals engaged in potential answer-sharing in the course of EY US' investigation. Instead, the Canada GCO Member recalls first becoming aware of the EY-US internal investigation just before the SEC consent order was publicly released.

29. The Investigation did not identify any documents relating to this meeting between the US GCO Member and the Canada GCO Member. Nor is there evidence that either EY-Canada's leadership or any other members of EY-Canada's General Counsel's Office were advised of the meeting or any information that the US GCO Member recalls communicating to the Canada GCO Member.

30. In May 2021, EY-Canada was asked by EY-Americas to consider adopting a requirement EY-US was implementing to have all of its employees pledge to uphold EY's values. As EY-Canada's professionals were already required to sign off annually on compliance with EY's Code of Conduct, EY-Canada leadership questioned the need for such a pledge at EY-Canada. On May 6, 2021, a member of EY-Canada's leadership spoke with a member of EY-US' leadership (who was also a member of EY-Americas leadership) about the pledge, including EY-US' view that it was necessary to address concerns around cheating being part of the college/university culture in the US. Following this call, the member of the EY-Americas/EY-US' leadership forwarded to the member

of EY-Canada's leadership an email attaching a draft copy of EY-US' internal investigation report, marked "privileged", which the member of EY-Canada's leadership then forwarded to another member of EY-Canada's leadership and a member of EY-Canada's General Counsel Office. Upon receiving the draft report, the member of EY-Canada's General Counsel Office advised the members of EY-Canada's leadership that the document was marked as privileged, and should therefore be immediately deleted without reviewing it, which the members of EY-Canada's leadership promptly did. As a part of the Investigation, EY-US confirmed that it maintained, and did not intend to waive, privilege over the draft internal investigation report.

31. EY-Canada ultimately determined that it would not adopt a pledge like EY-US. Instead, it implemented its own message regarding ethics, sending an all-personnel communication in June 2021 linking to a video stressing the importance of ethics compliance.

32. While EY-Canada became aware of the fact that EY-US was conducting an internal investigation as early as November 2019, EY-Canada did not investigate whether its assurance professionals were engaging in improper answer sharing or otherwise cheating on EY Learning Course assessments. Nor did EY-Canada take steps to evaluate whether the controls that had been or were in the process of being implemented were effective in preventing answer-sharing, or otherwise implement measures designed to detect answer sharing by its professionals. EY-Canada's leadership determined that such actions were not required because of the controls that had been put in place at various times to prevent cheating, the ethics and reporting framework in place at the time, and the fact that no incidents of answer sharing on EY Learning Course assessments had been reported to the EY-Canada ethics hotline or through its formal workplace reporting structure, where employees could report incidents to their superiors.

PART III - EY-CANADA HAS COMMITTED A VIOLATION EVENT

33. The Rules require that a Participating Audit Firm comply with relevant professional standards in

place at the time—until December 15, 2022, the Canadian Standards on Quality Control ("**CSQC 1**"), and since December 15, 2022, the Canadian Standards on Quality Management ("**CSQM 1**"). Among other things, those standards require a Participating Audit Firm to:

(a) Establish policies and procedures designed to provide a firm with reasonable assurance that it and its personnel comply with relevant ethical requirements;

(b) Establish policies and procedures designed to provide a firm with reasonable assurance that it has sufficient personnel with competence, capabilities, and commitment to ethical principles necessary to perform engagements in accordance with professional standards and applicable legal and regulatory requirements; and

(c) Establish a monitoring process to provide a firm with reasonable assurance that the policies and procedures relating to the system of quality control are relevant, adequate, and operating effectively.

34. The Rules also require a Participating Audit Firm to comply with the CPA Code of Professional Conduct (the "**Code of Professional Conduct**"), which requires firms to:

(a) Establish, maintain, and uphold appropriate policies and procedures designed to ensure that its services are performed in accordance with generally accepted standards of practice of the profession; and

(b) Establish, maintain, and uphold appropriate policies and procedures designed to ensure that its personnel carry out their professional services in compliance with the requirements of the Code of Professional Conduct, including to conduct themselves in a manner that will maintain the good reputation of the profession and to perform services with integrity.

35. CPAB has determined that the facts found by the Investigation constitute a breach of these

requirements. Specifically, EY-Canada breached the requirements of CSQC 1 and the Code of Professional Conduct by failing to:

(a) Detect that assurance professionals engaged in widespread improper answer sharing prior to 2020, with the large volume of incidents and significant number of participants indicative of ineffective controls;

(b) Put in place any form of monitoring system or other testing system to ensure that the controls designed to prevent cheating were effective in doing so until 2024; and

(c) Appropriately evaluate whether the controls put in place to prevent improper answer sharing and other forms of cheating on EY Learning Course assessments were effective in light of the information it received about the EY-US internal investigation.

PART IV - REQUIREMENTS AND SANCTIONS

36. In assessing the appropriate requirements, restrictions and sanctions under Section 600 of the Rules, CPAB considered EY-Canada's continuous cooperation with CPAB and the extensive efforts it has taken throughout this comprehensive Investigation. This includes: providing comprehensive responses to CPAB's demands; conducting an internal investigation involving an extensive document collection and review process; interviewing over 100 EY-Canada professionals; providing CPAB with interview summaries and findings reports; communicating regularly with CPAB on the status of the document collection and review process and any instances of improper answer sharing; preparing and delivering a root cause analysis; initiating a cultural assessment led by the Firm's Chief Ethics Officer on the impact of EY-Canada's messaging regarding academic integrity; and, paying the costs of CPAB's Investigation.

37. CPAB has also considered the steps EY-Canada has taken, including by:

(a) Developing and applying a consequences framework for implicated individuals, which consequences have included termination, financial penalties, additional learnings, and written reprimands;

(b) Revising training materials for Learning Program Developers to ensure that future learning content emphasizes that academic integrity and high-quality learning are essential to EY's reputation, compliance, and regulatory obligations, and must be embedded throughout the learning lifecycle;

(c) Increasing messaging and training about ethics, academic integrity and the responsible use of artificial intelligence tools, including by:

    i. Firmwide communications from the Chief Ethics Officer, the Talent Managing Partner and the Chair/Chief Executive Officer;

    ii. Service line, subservice line, office managing partner and counsellor communications;

    iii. Specific ethics and academic integrity training during onboarding of all new hires;

    iv. Ethics and academic integrity training as part of training for newly promoted Managers and Senior Managers; and

(d) Implementing both the Global and Canadian Monitoring Programs to monitor for cheating on EY Learning Course assessments taken by EY-Canada assurance professionals.

38. In view of the foregoing, CPAB determines that it is appropriate to impose the following

Requirements and Sanctions ("**Enforcement Actions**") agreed to by the parties:

(a) A public censure of EY-Canada shall be made through the publication of this Order;

(b) EY-Canada shall engage a consultant external to EY-Canada and satisfactory to CPAB to independently oversee and assess the implementation and compliance of each of the requirements outlined below at subparagraphs (c) through (f) (the "**Requirements**"). The consultant shall be given access to all documents, information, and personnel at EY-Canada necessary for the performance of their mandate. The consultant shall provide written updates to CPAB on its assessment of EY-Canada's implementation and compliance with the Requirements at quarterly intervals, or at some other interval required by CPAB, for a period of 20 months from the date of this Order. The consultant shall deliver directly to CPAB a final assessment of EY-Canada' implementation and compliance within 24 months from the date of this Order;

(c) EY-Canada shall establish, revise, or supplement, as necessary its policies, procedures, and controls, designed to prevent or detect academic dishonesty, to provide the Firm with reasonable assurance that:

(i) Personnel perform all internal training, including for EY Learning Courses, and tests and assessments associated with such training, with integrity;

(ii) Personnel to whom work has been assigned have the degree of technical training and competence required in the circumstances;

(iii) Personnel participate in general and industry-specific continuing professional education and other professional development activities that enable them to fulfill the responsibilities assigned to them;

(iv) Monitoring programs are designed and implemented to review email and Microsoft Teams communications for evidence of presumptive cheating, including by using artificial intelligence enabled tools or otherwise, on EY Learning Course assessments and reported to EY-Canada's Chief Ethics Officer on a timely basis; and

(v) The above-described policies, procedures, and controls designed to prevent and detect academic dishonesty shall be suitably designed and implemented within 12 months of the date of this Order; and

(vi) The above-described policies, procedures, and controls shall be determined by the Firm and assessed by the consultant to be operating effectively for a minimum of two consecutive quarters prior to the delivery of the consultant's report to CPAB;

(d) Within 150 days from the date of this Order, EY-Canada shall provide CPAB with the results of a cultural assessment performed by EY-Canada's Chief Ethics Officer. EY-Canada shall advise CPAB of all recommended actions identified to address the findings and conclusions of the cultural assessment. EY-Canada shall also provide CPAB with a plan for implementing the recommendations within 120 days following the completion of the cultural assessment. The plan for implementing the recommendations contained in the cultural assessment shall be to CPAB's satisfaction. All recommendations shall be implemented to CPAB's satisfaction in accordance with that plan;

(e) EY-Canada shall provide CPAB with quarterly reports on the results of the Canadian Monitoring Program and EY-Canada's assessment of those results for a period of 20 months from the date of this Order;

(f) EY-Canada shall provide CPAB with quarterly reports on the Canadian results of the Global Monitoring Program and EY-Canada's assessment of those results for a period of 20 months from the date of this Order or the completion of the Global Monitoring Program, whichever comes first. In the event the Global Monitoring Program concludes within 20 months of the date of this Order, EY-Canada shall promptly assess whether enhancements to its existing monitoring systems or additional monitoring systems are necessary to provide it with reasonable assurance that its personnel comply with relevant ethical requirements in completing EY Learning courses. EY-Canada shall then propose to CPAB for its approval the actions EY-Canada considers necessary, if any, which shall be implemented to CPAB's satisfaction.

(g) EY-Canada shall pay a monetary assessment to CPAB to cover the cost of monitoring the Firm's compliance with the Enforcement Actions outlined herein.