JULY 2026

cpab exchange

Audit Committee Insights: Perspectives from Across Canada

The Canadian Public Accountability Board (CPAB) is Canada's independent, public company audit 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's Audit Committee Outreach

Audit committees play a vital role in providing oversight of a company's financial reporting, internal controls, financial and compliance-related risks, and the external audit.

CPAB reaches out to audit committees through several channels, including one-on-one discussions, the annual Audit Committee Forum Series, and presentations at conferences and other events. In the first half of 2026, CPAB hosted four audit committee forums across Canada (Calgary, Montréal, Toronto, Vancouver), which brought together audit committee members and chief financial officers (CFOs) from Canadian reporting issuers. This publication offers insights gathered through these activities to date. These insights are intended to help inform audit committee oversight activities, provide perspective on issues being considered by peers, and encourage discussion with external auditors on matters relevant to audit quality.

Key Takeaways from CPAB's Conversations with Audit Committees

Companies today face a more complex risk environment amid geopolitical uncertainty, economic volatility, unprecedented technology advancements, and growing stakeholder demands. These risks can have significant implications for financial reporting, internal controls, and audit quality. As a result, audit committees play an increasingly important role in providing independent oversight, performing a challenge function to management and ensuring that emerging risks are appropriately reflected in the company's reporting and audit processes.

A key question for audit committees is how to focus on what matters most and provide effective oversight in a constantly changing environment. Issues most frequently discussed and top of mind for audit committees included artificial intelligence, cybersecurity, IFRS 18 implementation, and CPAB's introduction of firm-specific public inspection reports.

Artificial Intelligence (AI)

The rapid advancement of technology is accelerating innovation and the adoption of AI across business functions. While AI presents opportunities for reporting issuers, auditors, and regulators, it also introduces significant risks. Audit committee members discussed the importance of understanding and overseeing AI-related risks.

Use of AI by Reporting Issuers

Given the pervasive nature of AI, oversight responsibility often extends beyond the audit committee and may span multiple board committees. Key takeaways from discussions included:

- The importance of clearly defining governance responsibilities. There is a need to assess which AI-related matters fall within the audit committee's remit, such as risks related to financial reporting, internal controls, and fraud, and which should be addressed by other committees or the full board due to their broader strategic, operational, talent, or reputational implications.

- Effective oversight requires management to clearly articulate the organization's use of AI, including if it is being used for controls and estimates and whether it is appropriately disclosed. This will allow the board to assess the associated risks and determine where governance and oversight responsibilities should reside.

- Many organizations have initially focused on using AI for operational purposes, with adoption within financial reporting functions developing more gradually. For most organizations, AI capabilities are more likely to be accessed through third-party vendors rather than internally developed models, increasing reliance on a limited number of providers and heightening the importance of effective third-party risk management.

- The increased adoption of AI is expanding the risk landscape beyond concerns related to unauthorized access to information to include challenges related to data integrity, model reliability, and the potential for manipulated or misleading outputs.

- As AI applications evolve toward more autonomous systems capable of making and executing decisions, audit committees are discussing the challenges of maintaining effective oversight over AI-driven activities.

- Audit committees are asking whether management has access to the necessary skills and expertise to govern AI effectively, including the ability to critically assess outputs and avoid overreliance on AI-generated information.

- Audit committees indicated a need for a better understanding of AI's financial impact, as uncertainty remains regarding the future costs and pricing of tokens used by AI models.

Use of AI by Auditors

CPAB and the International Forum of Independent Audit Regulators (IFIAR) each recently published information and perspectives on the use of technology in audits. Audit firms are increasingly embedding tools such as advanced data analytics, AI, and automation into their audit workflows. Audit committee members highlighted the following about the use of AI by their auditors:

- Transparency remains a key area of focus. In discussions with their auditors, audit committees are seeking clarity on how AI is used and how it affects the type of information provided to the auditor.
- Maintaining audit quality and professional skepticism is a priority. Audit committees are interested in how firms are building challenge and validation functions into their AI-enabled audit processes to ensure audit teams continue to understand the business, exercise appropriate professional skepticism and critically assess AI-generated outputs.
- There is a growing interest in the longer-term implications for the audit talent workforce. Specifically, audit committees are seeking to understand how AI may affect audit firm staffing models, future skill requirements, and the number and quality of people recruited into the firms each year.
- Audit committees are interested in how technology-enabled efficiencies and increased investments in technology and AI capabilities will impact audit fees in the future.
- Stakeholder expectations about the transformation of the audit were also discussed. While AI has the potential to enhance audit quality and efficiency, audit committees noted the risk of widening the expectation gap if perceptions of AI-enabled audits exceed the auditors' actual responsibilities.

Cybersecurity

Cybersecurity has been a longstanding priority for boards and audit committees. However, concerns have intensified with the growing adoption of AI and the increasing volume of data being collected, analyzed, and shared across organizations. Recent developments in frontier AI models, such as Anthropic's Mythos, have further heightened concerns that AI could accelerate the sophistication and scale of cyberattacks. Key takeaways from discussions included:

- Current practices include using AI tools to identify issues, prioritize which items need to be addressed first, and allocate resources accordingly.
- Audit committees indicated a heightened focus on vulnerability management, obtaining an explanation of their organization's patching practices and regular reporting on patching metrics, recognizing that unaddressed vulnerabilities remain a common entry point for cyber incidents.
- Recognizing that not all issues can be addressed immediately, organizations are focusing on business-critical areas.
- Third-party risk management is another priority area, particularly the cybersecurity practices of critical suppliers or partners, including the timeliness of vulnerability remediation and patching.
- As part of third-party risk management, some audit committees are asking auditors how they are keeping data confidential, given the increasing amount of data being used in the audit.

- As cyber risks continue to evolve, audit committees highlighted the importance of understanding the organization's cyber insurance coverage, including potential changes to premiums, coverage conditions, and exclusions, and whether coverage remains aligned with the organization's risk profile.

IFRS 18 Implementation

IFRS 18 *Presentation and Disclosure in Financial Statements* is effective for annual reporting periods beginning on or after January 1, 2027, with early adoption permitted. It is applied retrospectively, meaning companies must include comparative figures for 2026 when adopting the standard.

In addition to changes to the presentation of the income statement, one of the more significant changes to be implemented is the introduction of disclosures of management-defined performance measures (MPMs) in the financial statements. Changes to the Canadian Securities Administrators' National Instrument (NI) 52-112, *Non-GAAP and Other Financial Measures Disclosure* were proposed in 2025, and the final changes are expected to be published in fall 2026, with the effective date aligning with the effective date of IFRS 18.

MPMs are subtotals of income and expenses used in public communications outside the financial statements to communicate management's view of an aspect of the entity's financial performance. This concept captures some, but not all, non-GAAP measures that are commonly used by companies today. While IFRS 18's disclosure requirements for MPMs apply to the financial statements, NI 52-112 sets out disclosure requirements for non-GAAP financial measures, non-GAAP ratios, and other financial measures outside the financial statements.

Key takeaways from discussions included:

- There is a varying level of preparedness across reporting issuers. Some reporting issuers have conducted dry runs to evaluate the impact on their previously reported Q1 2026 information, while other issuers have not yet turned their attention to the impact of IFRS 18.

- Some audit committees noted the need to plan ahead for the initial reporting in Q1 2027, especially considering the short time between publishing year-end financial statements and first quarter results.

- There is considerable variation in how impactful reporting issuers view the implementation of IFRS 18, with a greater impact in some industries.

- Some audit committees noted that the disclosures required under IFRS 18 may introduce new internal controls and reporting processes that will require oversight.

Firm-Specific Public Inspection Reports

To provide greater transparency for the investing public, audit committees and other stakeholders, CPAB began publishing individual audit firm inspection reports in March 2026. Each inspection report follows a standard format and contains comparable, factual information on the results of CPAB's inspection of an individual audit firm without identifying any specific reporting issuer information.

CPAB discussed audit committees' awareness of public inspection reports and their perceived value to support them in their oversight. Key takeaways from the discussions included:

- Although it is still early, some audit committees noted that firm-specific public inspection reports enhanced audit committee discussions with their auditors. Auditors were well prepared for these discussions and showed transparency in their responses.

- Overall, there was appreciation for the enhanced disclosure and interest in future comparative information, which would enable understanding of trends over time. In considering the use of these reports in auditor assessment, other views included:
  - A need for continued emphasis of CPAB's risk-based methodology for file inspections so that stakeholders understand that the results presented are not representative of all of the audits performed by an audit firm, and results are not intended to be extrapolated across a firm's entire audit portfolio.
  - Their usefulness to audit committees as one data point among others in evaluating an auditor.

CPAB's risk-based methodology for choosing audit files for inspection, and the specific focus areas for those files, is generally targeted towards higher-risk audit areas and more complex reporting issuers or areas where the audit firm or engagement team may have less expertise. It is not designed to select a representative sample of a firm's audit work.

- Many audit committees emphasized the importance of timely reporting of inspection findings. While there was appreciation for CPAB's effort to publish the reports to date, there was also encouragement for CPAB to release inspection reports as early as possible in future years. Audit committees noted that greater visibility into report timing would enhance their ability to incorporate discussions on these reports into their audit committee calendar to derive greater value.

Other Matters

While the preceding topics received the greatest attention, audit committees also shared perspectives on several other matters relevant to effective oversight. Key highlights include:

- **Smaller audit firms and reporting issuers:** Some stakeholders that work with smaller reporting issuers shared perspectives on the importance of proportionate securities and audit regulation for these reporting issuers. Recognizing the important role that smaller reporting issuers and audit firms play in Canada's public venture market, CPAB is assessing whether changes to its oversight approach could better support this important part of our market while maintaining investor protection.

- **Private equity investment in accounting firms**: There is a growing trend in some countries, including the United States and United Kingdom, of private equity investment in audit firms. Some stakeholders asked whether this is emerging in Canada and about the potential benefits and risks of these investments. While such investment is not currently prominent in Canadian audit firms,[1] it may provide smaller firms with additional capital to support AI adoption and enhance audit quality, while also introducing considerations related to independence and potential conflicts.

- **Audit regulators' use of AI:** A few questions were raised about how regulators are using AI to improve their effectiveness and efficiency. CPAB has prioritized internal education and the responsible use of AI. AI tools are used within a secure environment to support information gathering and analysis, are aligned to existing policies, and are subject to human validation. This includes practical use cases such as agents that analyze financial statements to surface key data and highlight areas for further inspection, as well as tools that help staff quickly access internal guidance and streamline routine tasks.

[1] Permitted firm ownership structures are outlined in the firm registration requirements of the provincial CPA bodies.

Thank You

CPAB would like to thank the following audit committee chairs and audit partners for their advice and support in moderating events this year:

Montreal	Calgary
Alain Côté, FCPA, IAS.A Georgia Tournas, CPA, EY, Partner	John Gordon, FCPA, ICD.D Stephanie Pankratz, CPA, KPMG, Partner, Audit
Vancouver	**Toronto**
Len Boggio, FCPA, FCA Kelsey Binns, CPA, CA, PwC, Partner, Assurance	Lou Pagnutti, FCPA, FCA Sue Bennett, FCPA, FCA, Global Audit and Assurance Business Leader, Deloitte Roxana Greszta, Partner, Risk Advisory and National Organizational Resilience Leader, Deloitte Canada

Have a View?

CPAB welcomes feedback on this publication and suggestions for future topics that would be of interest to audit committees. To share your comments, perspectives, or ideas, please contact Taryn Abate, Director, External Outreach.

Learn more

Visit us at https://cpab-ccrc.ca and sign up for our e-newsletters. Follow us on LinkedIn and contact us at info@cpab-ccrc.ca.

cpab ccrc
Canadian Public Accountability Board
Conseil canadien sur la reddition de comptes