Canadian Public Accountability Board
Conseil canadien sur la reddition de comptes

OCTOBER 2026

CPAB Smaller Firm Series: 2026 Public Company Audit Summits

In the fall of 2026, the Canadian Public Accountability Board (CPAB) hosted its second annual Public Company Audit Summits (the Summits) in Toronto, Vancouver, Montréal, and Calgary as part of its ongoing focus on fostering an environment that supports audit quality at smaller firms. Using case studies to illustrate recent inspection findings, the in-person Summits provided an opportunity for audit practitioners to gain insights about emerging risks and audit quality themes.

This publication highlights insights from the Summits, including the illustrative scenarios presented and key takeaways on systems of quality management to encourage continued dialogue on audit quality.

Key Takeaways from CPAB's 2026 Public Company Audit Summits

The 2026 Public Company Audit Summits were attended by 150 participants representing 58 audit firms from across Canada. Representatives from CPA Alberta, CPA British Columbia, CPA Ontario, and the Ordre des CPA du Québec, as well as members of CPAB's Board of Directors, participated as speakers and presenters.

The Summits included a dedicated session on considerations for firms when performing the annual evaluation of their system of quality management (SQM), with particular emphasis on how the risk assessment and monitoring and remediation processes inform and support that evaluation. The session reinforced the importance of ensuring the firm has sufficient evidence to support its annual evaluation and conclusions under Canadian Standard on Quality Management (CSQM) 1,[1] in particular:

- Designing monitoring activities that respond to the firm's quality risks and extend beyond inquiry or completed-file inspections.
- Performing monitoring throughout the year to identify and address matters on a timely basis.
- Considering all relevant sources of findings and clearly distinguishing findings from deficiencies.
- Establishing a framework to assess the severity and pervasiveness of deficiencies and support related professional judgments.
- Retaining sufficient evidence of the procedures performed, conclusions reached, and involvement of individuals responsible for the firm's system of quality management.
- Communicating the annual evaluation conclusion and taking prompt action when required.

The Summits also included audit quality scenarios that demonstrated the practical application of recent inspection themes at smaller audit firms. The scenarios focused on obtaining sufficient appropriate audit evidence when auditing revenue and accounting estimates and emphasized the importance of:

- Performing a thorough and iterative risk assessment, including reassessing the planned audit approach as new or inconsistent information is obtained.
- Considering all relevant facts, contractual terms, and contradictory evidence.
- Critically evaluating management's analysis, including consideration of fraud risk factors and management bias.
- Maintaining auditor independence and objectivity, by requesting management to take corrective action when appropriate, rather than taking on management's responsibilities.

[1] CSQM 1, paragraph 54.

System of Quality Management

CPAB's SQM session emphasized that identifying findings and deficiencies is part of an effective SQM and supports continuous improvement.[2] If an annual evaluation identifies few or no findings, particularly during periods of significant change in the firm's reporting issuer population, firms should consider whether their monitoring process is operating as intended.

CSQM 1 requires a firm's self-evaluation to result in one of the three following conclusions and requires the firm to document the basis for that conclusion.[3]

(a) Reasonable assurance that the objectives of the SQM are being achieved.

(b) Reasonable assurance that the objectives of the SQM are being achieved except for matters related to identified deficiencies that have a severe but not pervasive effect.

(c) Does not provide reasonable assurance that the objectives of the SQM are being achieved.

Where a firm concludes under (b) or (c) above, it shall take prompt and appropriate action, communicate the conclusion internally and to external parties as appropriate, and incorporate the conclusion into the performance appraisals of individuals with ultimate and operational responsibility for the system of quality management.[4]

Key Observations

Firms are responsible for completing and documenting their annual SQM self-evaluation, including performing appropriate monitoring activities, evaluating findings and deficiencies, and supporting the conclusion reached. Annual self-evaluation data submitted by firms and CPAB's inspections of smaller audit firms identified the following gaps in how firms fulfilled these responsibilities:

- No formal self-evaluation or a lack of an evaluation framework.
- Self-evaluation periods exceeded one year.
- Significant delays in completing self-evaluations. For example, one firm completed an evaluation for the period ending November 30, 2024, in October 2025 which was 11 months after the period end.
- Insufficient consideration of the inputs and sources of information used to assess the effectiveness of the SQM. For example, monitoring and remediation activities often relied primarily on inquiry and cyclical internal file inspections, without considering other relevant information, such as restatements, external regulatory inspection findings, whistleblower matters, or complaints.
- Incomplete identification of findings and insufficient evaluation of whether identified findings, individually and in the aggregate, represented deficiencies. This includes an assessment of the severity and pervasiveness of any identified deficiencies and their effect on the firm's annual evaluation conclusion.
- Insufficient objectivity in the performance of monitoring and remediation activities. This includes instances where individuals lacked the appropriate authority within the firm or held conflicting responsibilities that could affect their objectivity, such as monitoring areas for which they were responsible for or reviewing their own work.

[2] CSQM 1, paragraph A138.
[3] CSQM 1, paragraphs 54 and 58(e).
[4] CSQM 1, paragraphs 55-56.

Good Practices

Across firms of all sizes, CPAB observed the following practices that support effective monitoring and remediation processes:

- Targeted, regular monitoring throughout the year, paired with timely remediation, rather than relying solely on a year-end review.
- Proactive identification of findings (i.e. indicating something requires further attention) and appropriate evaluation of whether those findings represent deficiencies (i.e. results in changes to quality risks, responses, or monitoring activities).[5]
- Consistent use of a documented framework to assess the severity and pervasiveness of deficiencies, including evidence supporting improvements in the firm's SQM evaluation conclusion.
- Retaining evidence of review and involvement that is proportionate to the firm's size and complexity and sufficient to enable an experienced reviewer to understand the nature and extent of the work performed.
- Timely communication with external stakeholders, such as audit committee members, regulators, external service providers, and others who are impacted by the firm's self-evaluation.

Audit Quality in Practice Scenarios

The scenarios presented are based on actual significant inspection findings at smaller audit firms.[6] Facts have been modified or excluded to protect the identity of the reporting issuers and audit firms. These scenarios focus only on specific assertions and the audit areas presented.

Scenario One – Revenue Recognition

Background

Equipment Inc. manufactures, delivers, and installs specialized industrial equipment. Equipment may be delivered in stages, with installation occurring once all components have been delivered.

Key contractual terms included:

- Customers paid a deposit when an order was placed, which was recorded as a liability until the revenue recognition criteria were met.
- Substantially all of the payment was due before shipment.
- Orders could not be cancelled after shipment.

Management's policy was to recognize revenue when installation was complete. Management asserted that control of the equipment transferred to the customer at that point.

[5] Finding and deficiency as defined in CSQM 1, paragraph C16.

[6] A significant inspection finding is defined as a deficiency in the application of generally accepted auditing standards related to a material financial balance or transaction stream where the audit firm must perform additional audit work to support the audit opinion and/or is required to make significant changes to its audit approach.

Audit approach

The engagement team identified risks of material misstatement related to the completeness of customer deposits, occurrence, accuracy, and valuation of revenue, and the presumed fraud risk related to revenue recognition. Completeness and cut-off of revenue were not identified as risks of material misstatement.

In response to the identified risks, the engagement team:

- Evaluated management's revenue recognition approach.
- Obtained management's continuity schedule of open projects.
- Confirmed deposits, project milestones, and installation status for the significant revenue contracts, and compared the confirmation responses with management's continuity schedule.

Findings

CPAB identified deficiencies related to the engagement team's risk assessment and in the sufficiency of the audit procedures performed to:

- Evaluate whether management's revenue recognition policy was appropriate, including consideration of relevant contractual terms and other information, such as delivery and shipment information, payment terms, and cancellation provisions.[7]
- Identify additional risks of material misstatement, including risks due to fraud, or reassess the previously identified risks and planned audit approach.[8]
- Investigate and resolve inconsistencies identified through the confirmation process.[9]

Examples of risks the engagement team did not identify or assess, resulting in insufficient audit evidence, include:

- Revenue is omitted, recorded prematurely, or otherwise not recorded in the appropriate period due to differences in the timing of delivery, installation, and the revenue recognition policy.
- Management's revenue recognition policy may be inappropriate due to relevant contractual terms and other information that was not fully considered.
- Timing differences or other inconsistencies may indicate a risk of material misstatement due to fraud.

When CPAB identifies a significant inspection finding related to the auditor's evaluation of an accounting policy, the finding focuses on whether the auditor performed sufficient procedures and obtained sufficient appropriate audit evidence to support the conclusion. It does not represent a determination by CPAB as to whether management's accounting is correct.

[7] CAS 315, paragraph 20.
[8] CAS 315, paragraphs 35-37, CAS 330, paragraphs 5, 33 and CAS 240 paragraphs 24-25, 33.
[9] CAS 500, paragraph 11.

Scenario Two – Auditing Accounting Estimates

For the 2026 Summits, the estimates discussion leveraged Illustrative Scenario One from CPAB's March 2026 publication, *Auditing accounting estimates: Strengthening audit quality*. Readers are encouraged to refer to the publication for the full scenario and additional insights on auditing accounting estimates.

Additional Resources

Resources specific to smaller firms can be found on CPAB's Supporting Audit Quality at Smaller Firms webpage.

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.

This publication is not, and should not be construed as, legal, accounting, auditing or any other type of professional advice or service. Subject to CPAB's copyright, this publication may be shared in whole, without further permission from CPAB, provided no changes or modifications have been made and CPAB is identified as the source. © CANADIAN PUBLIC ACCOUNTABILITY BOARD, 2026.
ALL RIGHTS RESERVED.

Canadian Public Accountability Board
Conseil canadien sur la reddition de comptes