

MARCH 2025



CPAB Regulatory Oversight Report

2024 Annual Inspections Results

[CPAB-CCRC.CA](https://cpab-ccrc.ca)



CPAB's regulatory disclosures

Over the last several years, as part of our strategic commitment to advancing a quality-driven culture across auditors of Canadian reporting issuers, we have made significant progress in our efforts to increase the information that we disclose about the results of regulatory assessments.

CPAB has secured all required rule change and legislative approvals to implement the [disclosure changes](#) identified through our multi-year stakeholder consultations. This is a significant milestone, and we appreciate the ongoing support of our stakeholders and relevant provincial government and securities regulators.

First phase changes were implemented in January 2023 and as a result, CPAB now discloses:

- Significant enforcement actions imposed on a firm resulting from a CPAB inspection.
- Recommendations which were included in a firm report but not addressed by the firm.

Second phase changes required rule and legislative amendments and included:

- Improving operational effectiveness and administrative processes.
- Introducing mandatory disclosure of reporting issuer-specific significant inspection findings to the reporting issuer's audit committee (implemented March 24, 2025).
- Publishing an individual public inspection report for each audit firm inspected by CPAB in a given year (from March 24, 2025).

Implementation of amended disclosure rules

All inspections that began after the rule and legislative changes went into effect on March 24, 2025, will be subject to publication and disclosure to the reporting issuer's audit committee.

We expect the first inspection reports to be published in Q1 2026.

Next steps

We remain committed to providing greater transparency for the investing public, audit committee chairs and other stakeholders. CPAB will periodically review and consult with key stakeholders on the functioning and effectiveness of these disclosure changes.

For more information, visit cpab-ccrc.ca/insights/disclosures.



2024 regulatory report

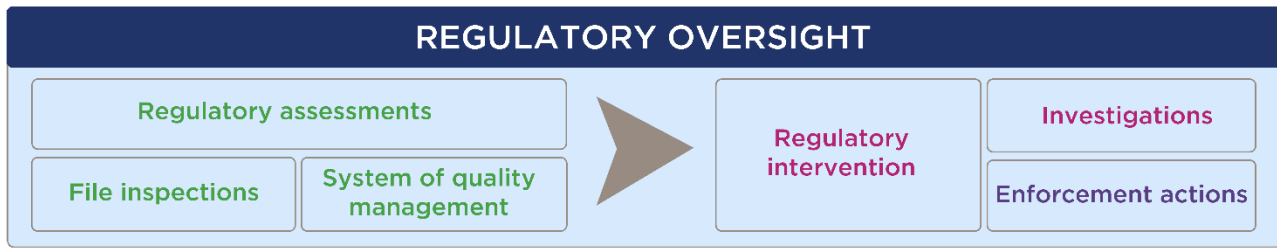


Figure 1

CPAB’s regulatory oversight of [public accounting firms that audit Canadian reporting issuers](#) includes inspecting completed audits of financial statements, assessing the firm’s system of quality management¹ and regulatory intervention. All public accounting firms that audit a Canadian reporting issuer must register with CPAB.²

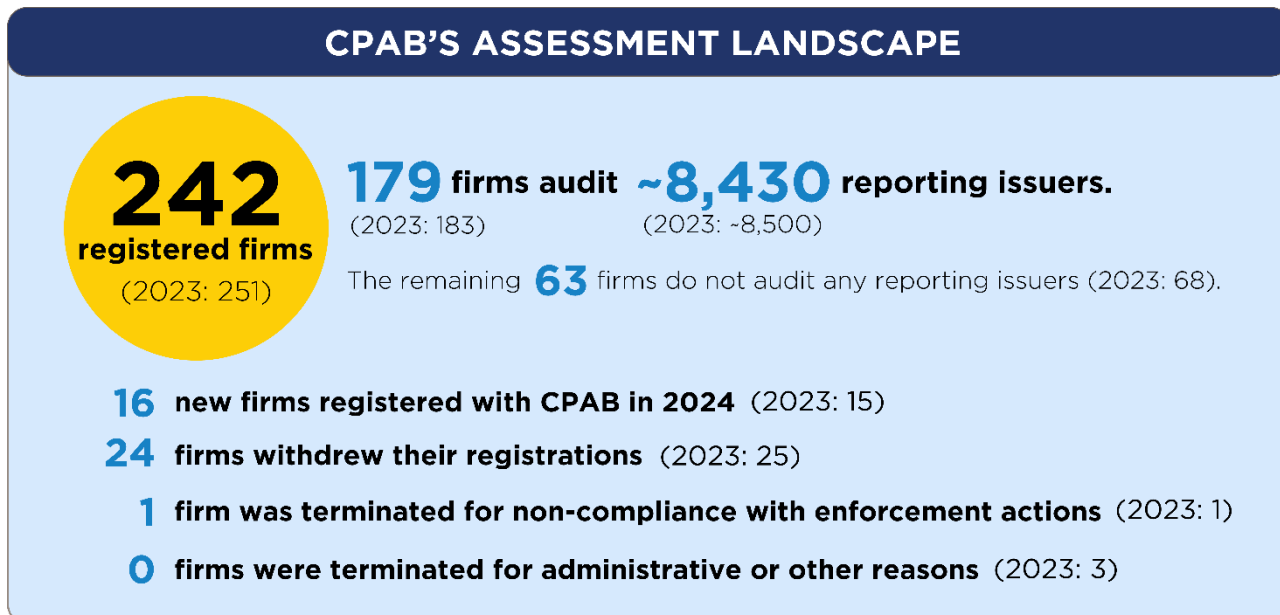


Figure 2

¹ Our assessment of the system of quality management at firms focused on select aspects of Canadian Standards on Quality Management (CSQM 1). Given that risk assessment processes are foundational to implementing a system of quality management, we considered whether risk assessment processes incorporated all available sources of information. We also focused on the most recent testing results for the design, implementation and operation of areas that we considered to be high priority which support each firm’s 2024 self-evaluation. Our assessment also included review of the 2023 self-evaluation for all firms as most of the 2024 self-evaluations were not finalized at the time of our inspection.

² Securities legislation defines what constitutes a reporting issuer. Each of the 13 Canadian securities commissions maintains a list of the reporting issuers in their respective jurisdictions.



How CPAB chooses files and audit areas to review

CPAB's risk-based methodology for choosing audit files for inspection (and the specific focus areas for those files) is targeted towards higher-risk audit areas of more complex reporting issuers or areas where the audit firm may have less expertise. It is not designed to select a representative sample of a firm's audit work. Our inspections do not look at every aspect of every file, therefore, the absence of significant findings³ in our review of a particular audit file does not mean that all aspects of the audit were fully compliant with professional standards, nor should it mean that any significant findings identified would be the only findings had CPAB reviewed every aspect of the file. Results should not be extrapolated across a firm's entire audit portfolio, but instead viewed as an indication of how firms address their most challenging audit situations.



³ A significant inspection finding is defined as a deficiency in the application of auditing or other relevant professional standards, as defined in Section 300 of CPAB's Rules, 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. CPAB requires firms to carry out additional audit procedures to determine the need, if any, to restate the financial statements due to material error, or to substantiate that the firm obtained sufficient and appropriate audit evidence with respect to a material balance sheet item or transaction stream to support their audit opinion.



2024 INSPECTIONS RESULTS

131
files inspected
(2023: 130)

24% files with significant findings (2023: 34%)

Four largest firms

65 files inspected
(2023: 63)

12% files with significant findings (2023: 16%)

Other annually inspected

36 files inspected
(2023: 38)

17% files with significant findings (2023: 39%)

Non-annually inspected

30 files inspected
(2023: 29)

57% files with significant findings (2023: 66%)

Each year, CPAB inspects all firms that audit 100 or more reporting issuers. These include the four largest audit firms and nine additional firms known as the other annually inspected firms.

We inspect, at least every two years, firms which audit between 50 and 99 reporting issuers. The remaining firms are inspected periodically based on CPAB's risk analysis.

Themes identified in inspection findings

- Identifying and assessing the risks of material misstatement
- Evaluating the entity's accounting policies
- Evaluating audit evidence including information obtained from external information sources
- Auditing accounting estimates
- Use of an auditor's expert
- Ethical requirements, including independence
- Audit documentation, supervision and review
- Identifying and responding to the risk of fraud
- Compliance with licensing requirements to practice public accounting
- Services provided by a service organization

Figure 3



All firms: file inspections overview

In 2024, we inspected 131 files (2023: 130 files). We identified significant findings in 31 of the files we inspected (2023: 44 files). This 24% findings rate compares to 34% in 2023. The decrease in the aggregate findings rate was primarily driven by a decrease in significant findings at certain annually inspected firms. We have observed a correlation between the firms that invest in a robust system of quality management and a lower level of significant findings.

The aggregate significant findings rate at the four largest firms decreased to 12% (eight of 65 files), when compared to 16% (10 of 63 files) in 2023. One of the four largest firms continued to have an elevated significant findings rate of 30% of files inspected in 2024 (2023: 29%).

The aggregate level of significant findings at other annually inspected audit firms decreased, with a findings rate of 17% (six of 36 files), compared to 39% (15 of 38 files) in 2023.

The aggregate significant findings rate at non-annually inspected firms decreased to 57% (17 of 30 files) compared to 66% (19 of 29 files) in 2023. The overall level of significant findings at these firms has remained unacceptably high over the past five years, prompting our 2025-2027 strategic objective on fostering an environment that supports improved audit quality at smaller firms.

All firms

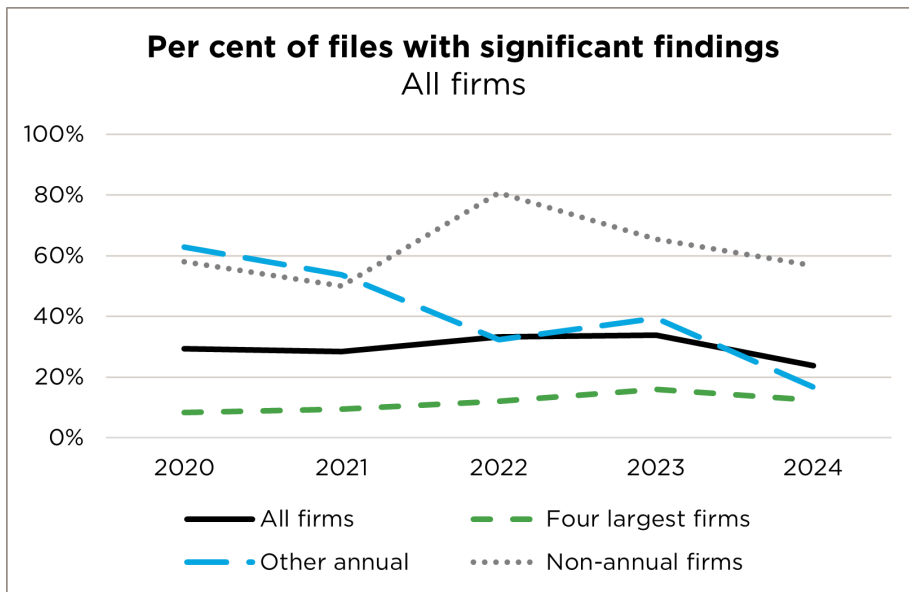


Figure 4

Our inspections in 2024 included 63 files of Toronto Stock Exchange (TSX)-listed entities and 68 non-TSX-listed entities (2023: 62 TSX; 68 non-TSX). While the overall level of significant findings at non-TSX-listed entities has remained high over the past five years, the rate of significant findings at these entities improved in 2024, decreasing to 26% (2023: 51%), primarily driven by a decrease in significant findings at other annually inspected firms. The rate of significant findings at TSX-listed entities has increased to 21% in 2024 (2023: 15%), primarily driven by an increase in significant findings at non-annually inspected firms.



All firms

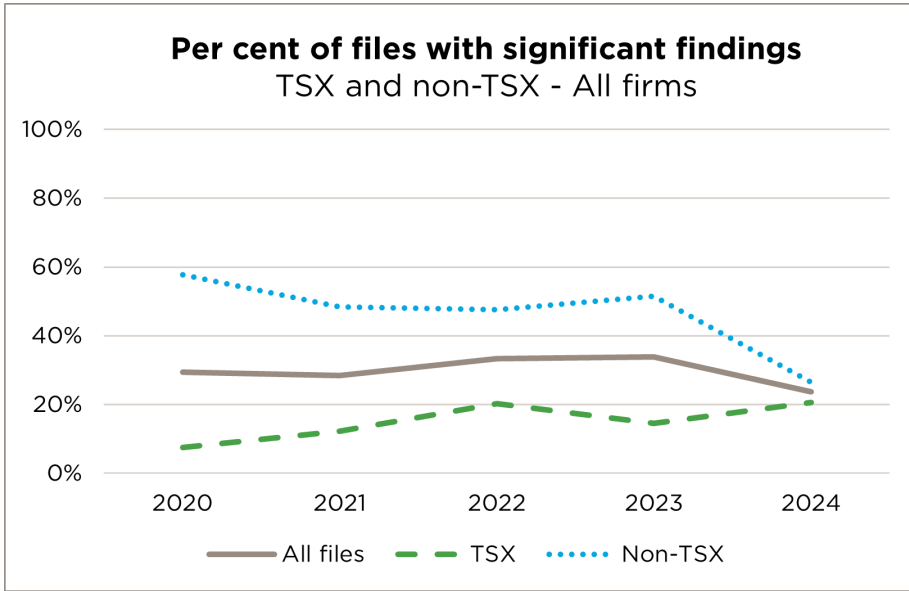


Figure 5

Figure 6 shows industries most often inspected and the number of significant findings. These four industries account for 47% of files inspected in 2024 (2023: 49%). Significant findings have increased in the financial services industry⁴ with 42% of files inspected having significant findings (2023: 33%). Reductions in the percentage of files with significant findings were noted in the technology and mining industries. We will continue to communicate our inspections findings and insights, including industry-related trends, through our Strengthening audit quality publication series.

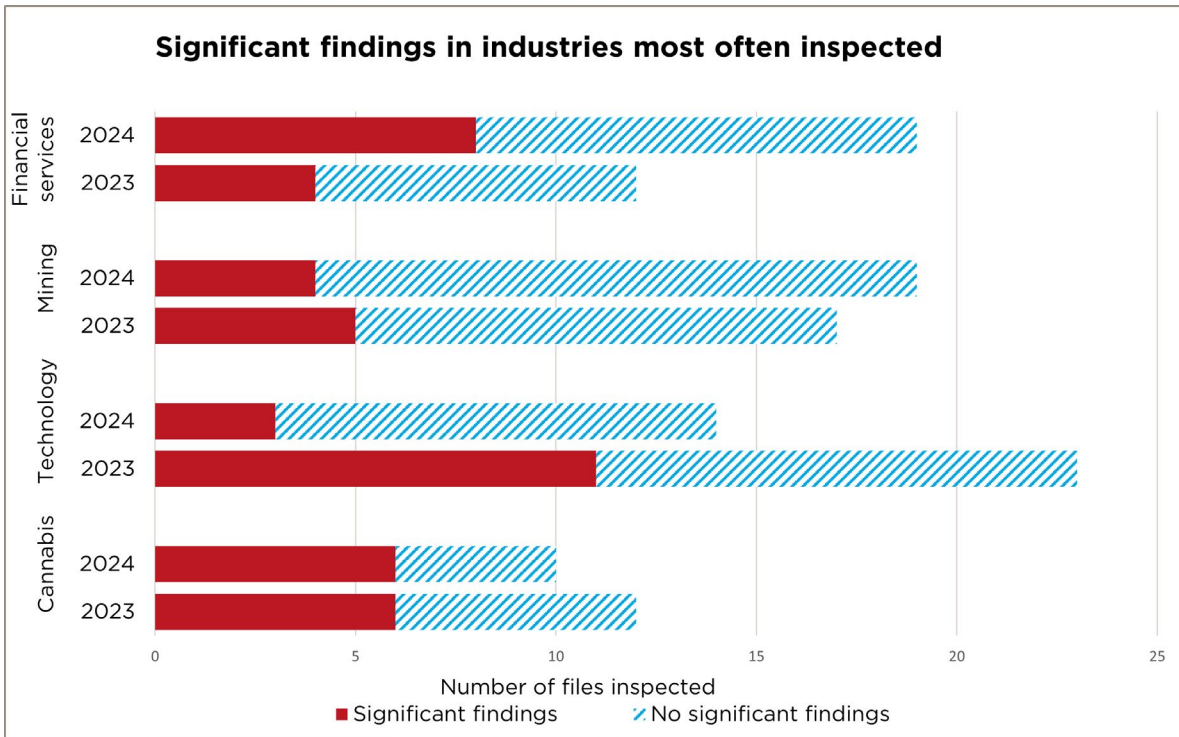


Figure 6

⁴ This group includes financial institutions, insurance companies, fintech companies and investment funds.



All firms

Significant findings are more common in a firm’s first year auditing a reporting issuer. In 2024, files that are first-year audit engagements at a specific audit firm accounted for 22% of files inspected (2023: 26%). Figure 7 shows the rate of significant findings based on files inspected considering firm tenure. We have encouraged firms to consider additional quality risks that may arise upon acceptance of new audit engagements and develop appropriate responses.

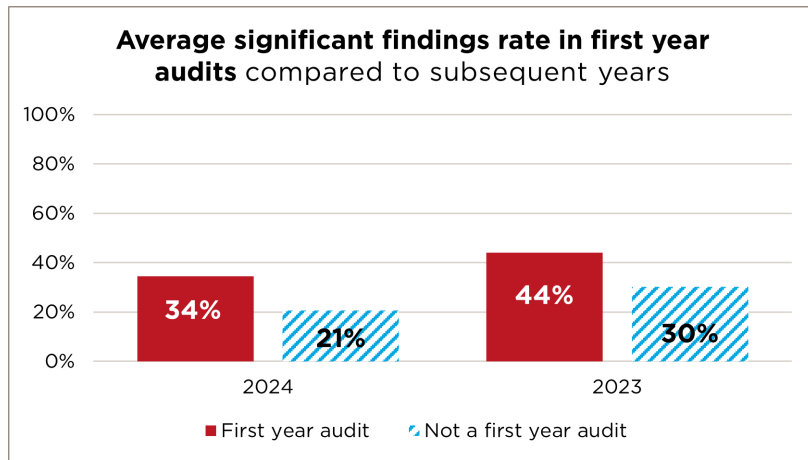


Figure 7

For more detail on the results of our inspections, please see page 12 (four largest firms), page 15 (other annually inspected firms) and page 18 (non-annually inspected firms).

Please see page 22 for information about our enforcement activities.

In 2024, we obtained access to and reviewed component auditor working papers located in [foreign jurisdictions](#) for 18 files selected for inspections (2023: 10). We identified a significant finding in one of the foreign component auditor working papers we reviewed (2023: one). In 2023, we requested and were denied access to two component auditor working papers located in China. CPAB does not currently have an agreement with Chinese authorities which would enable access to these working papers.

How firms are required to respond to CPAB findings

Most significant findings require the firm to carry out additional audit procedures to determine the need, if any, to restate the financial statements due to material error. The remaining findings require firms to add evidence to the audit file to show they had obtained sufficient and appropriate audit evidence with respect to a major balance sheet item or transaction stream. CPAB expects firms to remediate file deficiencies before the reporting issuer’s next quarterly report. Where a restatement is required, the firm is expected to work with the reporting issuer to complete the restatement as soon as possible in order to provide updated information to investors. Audit firms that voluntarily participated in the Protocol for Audit Firm Communication of CPAB Inspection Findings with Audit Committees (the Protocol) shared CPAB’s annual reports, as well as CPAB inspection reports which outline any specific findings and remedial action taken, with the relevant reporting issuer’s audit committee. CPAB encourages audit committees to discuss this report and specific findings, if applicable, with their auditor.



System of quality management assessments

The Canadian standard on quality management requires all firms to annually evaluate their system of quality management and conclude whether it provides the firm with reasonable assurance that the objectives of the system are being achieved. A strong system of quality management emphasizes the need to systemically embed audit quality processes (preventative and detective) into ongoing operations across the entire assurance portfolio so that audit deficiencies are identified and corrected in real time or, at a minimum, before the audit opinion is released. Such a system is supported by a firm culture that demonstrates a commitment to quality including reinforcing the importance of the profession's public interest responsibility.

We have observed improvements in the systems of quality management across most firms inspected this year.

In September 2024, we published [Strengthening audit quality through systems of quality management](#) to provide insights into practices observed at firms with robust controls and processes that correlate with a strong system of quality management. We observed the following practices that demonstrate a firm's commitment to consistently performing quality engagements by establishing a culture that recognizes and reinforces the firm's role in serving the public interest:

- Implementing a governance and leadership structure that includes the use of committees with clearly defined accountabilities and mandates.
- Implementing clear and measurable key performance indicators for leadership and engagement partners, which are used to hold individuals accountable for quality responsibilities and accountabilities.
- Performing periodic culture surveys, with leadership input into the design of the survey questions to ensure that responses from the surveys will provide leadership with actionable insights that can be used to inform action plans.
- Performing root cause analysis for all findings, regardless of finding severity, on a timely basis to identify remedial actions required.
- Modifying processes as required to reflect changing circumstances. For example, if the firm is intending to grow its reporting issuer audit practice, ensuring that the firm has sufficient resources in place along with a robust acceptance and continuance process to support growth.

All firms



Going forward, we encourage each firm to further assess whether the objectives of the system of quality management have been achieved:

- Where shared service centres⁵ are used as an extension of the Canadian engagement team, understand and obtain information relating to the scope of monitoring activities undertaken by the centres and assess whether additional monitoring should be performed by the Canadian firm.
- Ensure that the firm's risk assessment process considers the risks associated with the use of all technological resources (including artificial intelligence tools) including assessing the accuracy and reliability of the tool, regardless of whether the tool is developed globally, locally or sourced from a third-party software provider.

Restatements

Since our 2023 annual report, seven restatements were made as a result of significant findings identified during our current or prior year inspections (2023: six; 2022: seven).

Figure 8 illustrates the audit areas resulting in restatements in the past three years.

Audit area resulting in a restatement	2024	2023	2022
Business combinations	◆	◆	◆
Liabilities	◆	◆	
Long-term assets	◆	◆	◆
Current assets	◆		
Revenue	◆		◆
Share capital		◆	

Figure 8

The level of restatements resulting from our inspections in the past three years raises a concern about why the auditor's work did not identify these errors, including their evaluation of the appropriateness of accounting policies.

⁵ Firms may concentrate or centralize processes or activities in a shared service centre, and engagement teams may include personnel from the firm's shared service centre who perform specific tasks that are repetitive or specialized in nature.



Themes identified in inspection findings

Themes identified in our inspection findings have occurred most frequently or are of heightened concern. A comparison of themes identified over the past three years is included in Figure 9.

While most themes are applicable to all firms, certain themes, such as compliance with licensing requirements to practice public accounting, have only been identified among non-annually inspected firms.

As a result of our findings, CPAB regularly issues publications to provide more detail on the nature of deficiencies identified, our expectations, and the practices observed in audit files with no significant inspection findings. Audit risk alerts and publications issued as part of our Strengthening audit quality inspections insights are included in Figure 9. These and other publications continue to be relevant and are available in the [Resource Centre](#) section of our website.

All firms

Themes identified in inspection findings	2024	2023	2022
Identifying and assessing the risks of material misstatement	! ♦	♦	♦
Evaluating the entity's accounting policies	♦	♦	♦
Evaluating audit evidence including information obtained from external sources	! ♦	♦	! ♦
Auditing accounting estimates	♦	♦	♦
Use of an auditor's expert	♦	♦	♦
Ethical requirements, including independence	♦	♦	♦
Audit documentation, supervision and review	♦	♦	♦
Identifying and responding to the risk of fraud	! ♦	♦	♦
Compliance with licensing requirements to practice public accounting	♦	♦	
Services provided by a service organization ⁶	♦	! ♦	♦
Perpetual inventory systems		♦	

♦ Theme identified in significant findings.

! CPAB publication issued.

Figure 9

Several of the themes listed above are discussed in our [2024 Interim Inspections Results](#) report. Services provided by a service organization was discussed in our 2023 interim inspections results report, and the examples provided remain relevant. The remaining themes are described below.

⁶ Services provided by a service organization are relevant to the audit of a company's financial statements when those services, and the controls over them, are part of the company's information system used in the preparation of the financial statements.



Identifying and assessing the risks of material misstatement, including evaluating the entity's accounting policies

Identification and assessment of risks is foundational to an audit and includes obtaining an understanding of an entity and its environment. As part of the standard for [identifying and assessing the risks of material misstatement](#), the auditor is required to evaluate whether the entity's accounting policies are appropriate and consistent with the applicable financial reporting framework.

Our 2023 annual report highlighted deficiencies in the auditor's evaluation of the entity's accounting policies. We continue to identify similar deficiencies in our inspections, which is concerning as such deficiencies are more likely to result in a restatement.

Evaluating audit evidence including information obtained from external sources

The auditor's responsibility to obtain sufficient appropriate audit evidence includes a requirement to evaluate the relevance and reliability of information used in an audit. While the audit standard explains that reliability of audit evidence increases when it is obtained from independent sources outside the entity, the auditor is nevertheless required to evaluate the reliability of the information to be used as audit evidence.

A number of deficiencies related to the sufficiency of audit procedures to address the existence and condition of inventory (or other assets) held by a third party. As a result, in December 2024 we issued [CPAB audit risk alert: Third party involvement in the inventory management process](#) highlighting deficiencies and good practices observed in our inspections of inventory when the auditor used external confirmations as the primary source of audit evidence to evaluate the existence and condition of inventory (or other assets) held by a third party.

Auditing accounting estimates

Deficiencies related to auditing accounting estimates stemmed from audit work over business acquisitions, impairment evaluations and allowance for credit losses. Many deficiencies are similar to those spotlighted in our publication, [Auditing accounting estimates: strengthening audit quality](#) published in September 2021.



Four largest firms: *Deloitte LLP, Ernst & Young LLP, KPMG LLP & PwC LLP*



Figure 10

File inspections

We inspected 65 files (2023: 63) at the four largest firms and identified significant findings in eight of those files (2023: 10), which is a findings rate of 12% (2023: 16%). One firm had seven files (30%) with significant findings (2023: six files; 29%), one firm had one file with a significant finding, while two firms had no files with a significant finding in 2024 (2023: two firms with one file with a significant finding, and one firm with two files with a significant finding).

Four largest firms

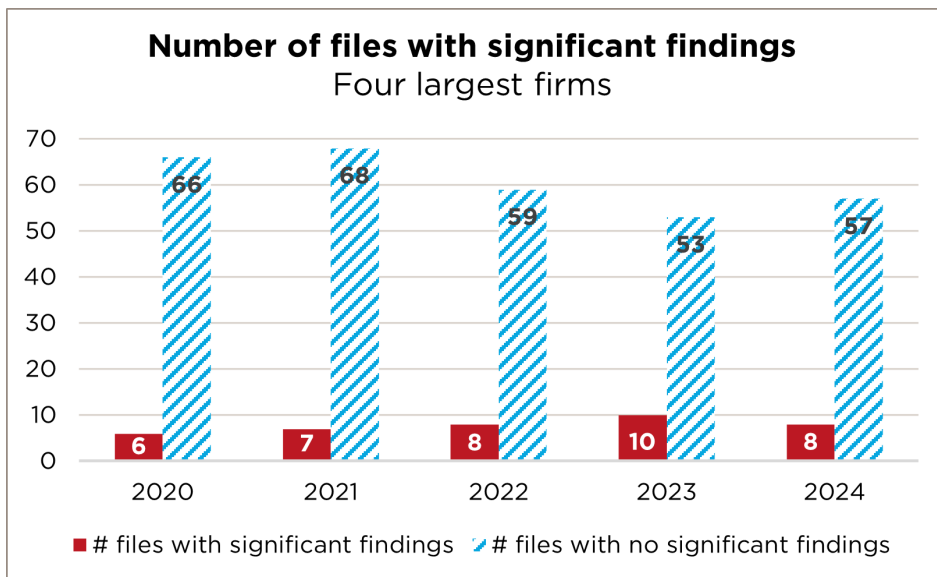


Figure 11



Other findings⁷ have decreased since the prior year, driven by the same two firms that had no significant findings.

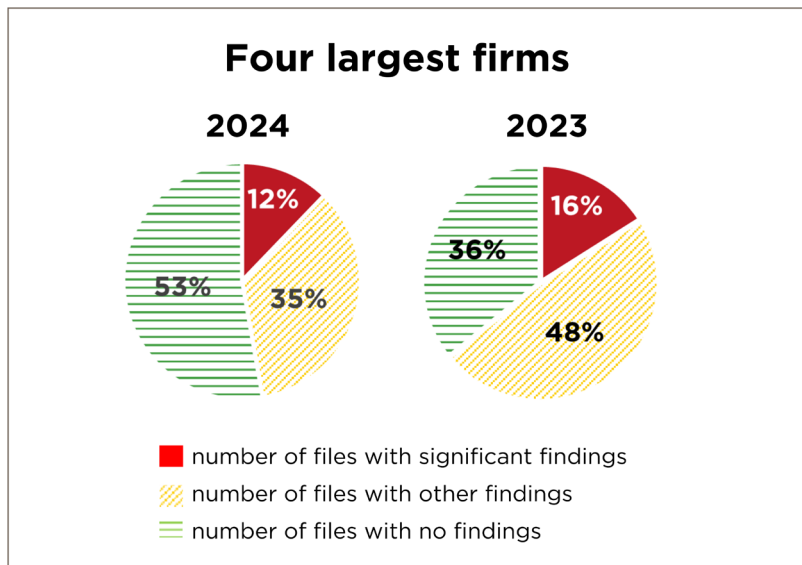


Figure 12

Enforcement actions were imposed on one of the four largest firms as a result of unacceptable levels of significant findings over consecutive years.

Figure 13 reflects the audit areas we most frequently reviewed at the four largest firms in 2024 and 2023 and the total number of significant findings per audit area. These areas were selected because they were generally material to the reporting issuer's financial statements or included complex issues or judgment.

Audit area	2024	2023
	Significant findings per number of times inspected	
Revenue and related accounts	3 / 49	4 / 49
Long-lived assets ¹	4 / 40	1 / 31
Business combinations	0 / 26	2 / 27
Inventory	1 / 12	3 / 27
Financial instruments ²	4 / 24	1 / 20

¹ Includes goodwill, intangible assets, investment properties and property, plant and equipment.

² Includes investments, loans, allowance for credit losses, derivative assets/liabilities, claims liabilities and reinsurance assets.

Figure 13

⁷ Other findings – A noted deficiency in the application of generally accepted auditing standards related to a material balance sheet item or transaction stream where CPAB is able to conclude, without the engagement team performing additional procedures to support the audit opinion, that the deficiency is unlikely to result in a material misstatement. These findings, while not significant, indicate areas for improvement.



For a list of the industries where we identified significant findings and the number of files inspected by industry at the four largest firms in 2024 and 2023, please see Figure 23 on page 30 of this report. Significant findings have most notably increased in the consumer products and financial services industries when compared to 2023.

System of quality management assessments

In the current year, we transitioned from our previous assessment model to one based on CSQM 1 now that this standard is fully effective. The previous assessment model was used for the four largest firms since 2018 and consisted of an assessment across four key areas of focus which we identified as being critical to audit quality (governance and leadership's accountability for audit quality, risk management, talent and resource management and oversight).

In the prior year, three of the four largest firms were rated acceptable or acceptable with opportunities for enhancement across the four key areas of focus. One firm was rated as needs improvement across all four areas of focus. The firm that was rated as needs improvement had significant inspection findings in the prior year.

We reviewed the 2023 self-evaluations completed by the firms. Each of the four largest firms concluded in their 2023 self-evaluation that their system of quality management provides them with reasonable assurance that the objectives of the system of quality management were achieved⁸.

In the current year, all firms have improved their system of quality management and continue to show a commitment to improving audit quality culture. For one firm, we identified concerns with their monitoring and remediation process and whether it provides them with relevant, reliable and timely information about the design, implementation and operation of their system of quality management. This firm had significant inspection findings this year. For this firm, we also identified concerns over the completeness of information considered in its 2023 self-evaluation of its system of quality management, including evidence to demonstrate how the firm satisfied itself that the remedial actions taken prior to the evaluation were effective.

Restatements

There have been two restatements as a result of significant findings identified during our inspections at the four largest firms since our 2023 annual report. The restatements resulted from the current and prior year inspections in the financial services and mining industries. This compares to two restatements at the four largest firms in the industrial services and healthcare industries in 2023.

⁸ Results of all four firms' 2023 annual evaluations are published in their transparency reports, available on their respective websites.



Other annually inspected firms: *Crowe MacKay LLP, Davidson & Company LLP, De Visser Gray LLP, DMCL LLP, Manning Elliott LLP, McGovern Hurley LLP, MNP LLP, Raymond Chabot Grant Thornton LLP, Smythe LLP*

Other annually inspected firms



Figure 14

File inspections

We inspected 36 files (2023: 38) at the other annually inspected firms and identified significant findings in six of those files (2023: 15). We observed advances in audit quality and improvement in systems of quality management at most of the nine other annually inspected firms. The improvements at these firms are encouraging and they reinforce the importance of a strong system of quality management.

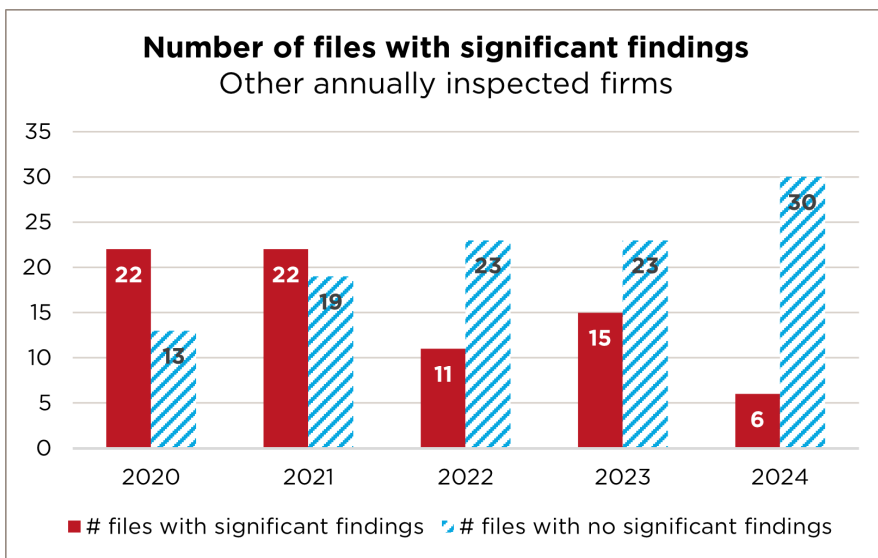


Figure 15

We continue to identify a high level of other findings, which indicates areas where improvement is needed.



Other annually inspected firms

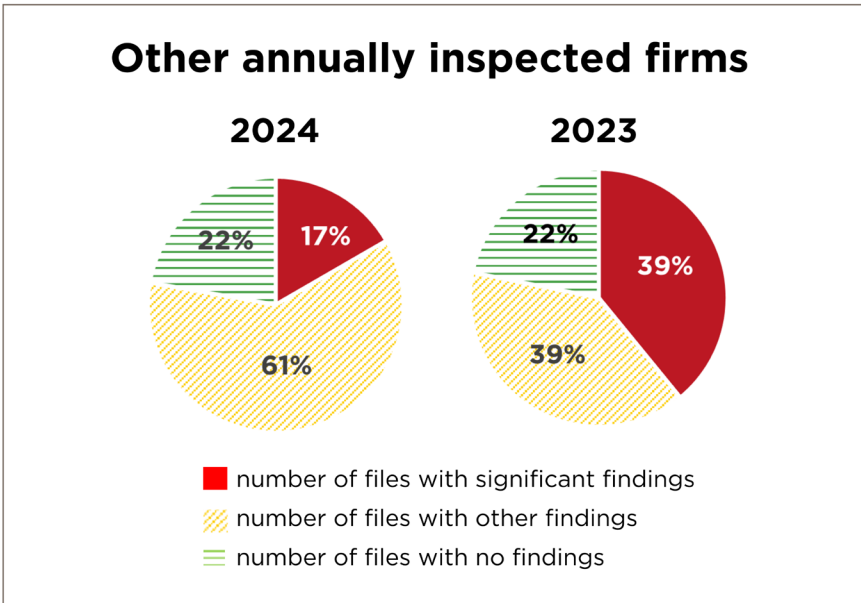


Figure 16

Of the nine other annually inspected firms, enforcement actions were in place for six firms with unacceptable levels of significant findings. Decisions will be made in 2025 regarding the escalation of regulatory intervention and the modification and/or termination of certain existing enforcement actions.

Figure 17 breaks out the number of firms in specific ranges of findings rates in 2024 and 2023.

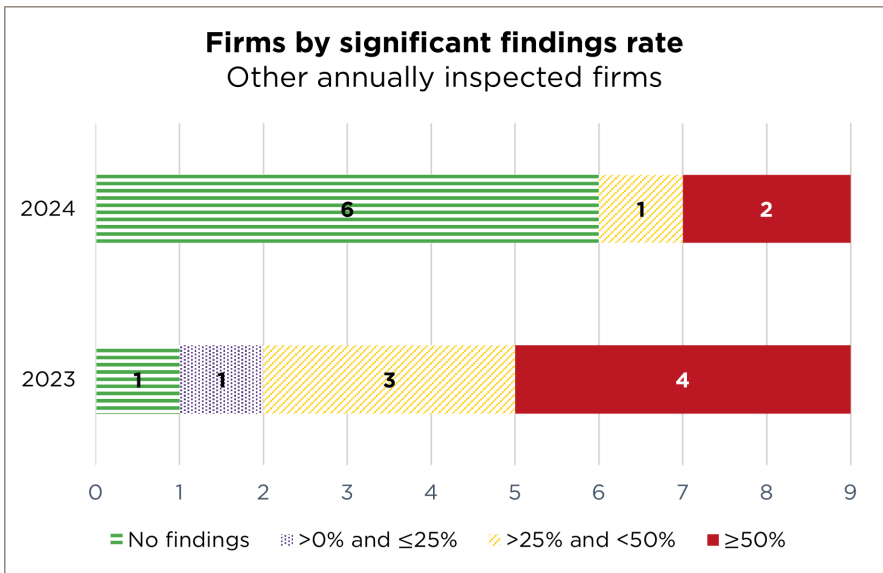


Figure 17



Figure 18 reflects the audit areas we most frequently reviewed at the other annually inspected firms in 2024 and 2023 and the total number of significant findings per audit area. These areas were selected because they were generally material to the reporting issuer's financial statements or included complex issues or judgment.

Audit area	2024	2023
	Significant findings per number of times inspected	
Revenue and related accounts	2 / 30	7 / 33
Long-lived assets ¹	0 / 21	0 / 21
Business combinations	1 / 8	1 / 14
Inventory	1 / 10	2 / 8
Financial instruments ²	1 / 14	4 / 14
Resources ³	1 / 9	1 / 7

¹ Includes goodwill, intangible assets, investment properties and property, plant and equipment.

² Includes investments, loans, allowance for credit losses, derivative assets/liabilities, claims liabilities and reinsurance assets.

³ Includes exploration and evaluation assets and mining properties, related expenses and reclamation provisions.

Figure 18

For a list of the industries where we identified significant findings and the number of files inspected by industry at the other annually inspected firms in 2024 and 2023, please see Figure 24 on page 31 of this report.

System of quality management assessments

We inspected the firms' implementation of CSQM 1 in the previous year and identified findings relating to their risk assessment, monitoring and remediation processes, as well as governance and leadership – areas that are foundational to CSQM 1. The firms have all implemented recommendations that will mature their system of quality management; however in some instances, they have not yet performed testing to assess whether actions taken are operating effectively. We observed that these firms continue to make efforts to improve the robustness of their system of quality management, however the level of inconsistent findings indicates that more work is required for some.

We reviewed the 2023 self-evaluations performed by the firms and noted that many firms identified deficiencies that have a severe but not pervasive effect on the design, implementation and operation of their system of quality management. At some firms, we noted a lack of available evidence to support the self-evaluation process, including the assessment of whether findings indicate potential deficiencies and the severity and pervasiveness of identified deficiencies.



Non-annually inspected audit firms

Non-annually inspected firms

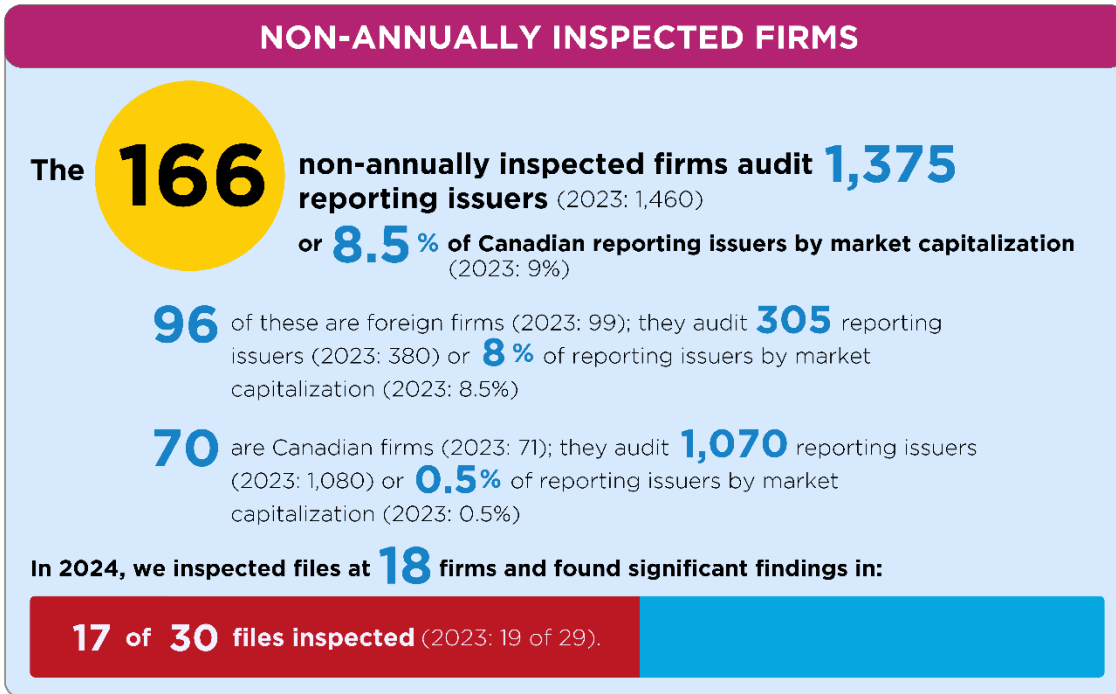


Figure 19

File inspections

We inspected 30 files (2023: 29) at 18 non-annually inspected audit firms (2023: 17) and identified significant findings in 17 (2023: 19) of these files. The year-over-year inspection results for non-annually inspected firms are not comparable because the composition of this group of firms changes each year based on CPAB’s risk-based methodology for choosing files for inspection. Three of the files were at foreign firms (2023: eight), and we identified significant findings in two of those files (2023: six).

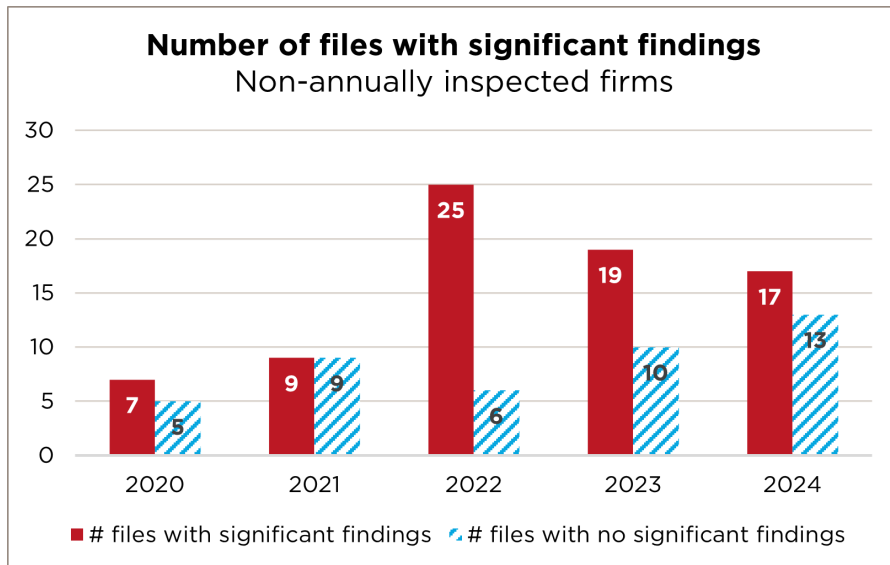


Figure 20



In 2024, 65% of files with significant findings had multiple significant findings per file (2023: 58%). Factors that contributed to the higher prevalence of significant findings at some of these firms included lack of experience auditing in a particular industry or audit area, and insufficient supervision and review.

For a list of the industries where we identified significant findings and the number of files inspected at the non-annually inspected firms by industry in 2024 and 2023, please see Figure 25 on page 32 of this report. In 2024, all files inspected at the non-annually inspected firms in the consumer products and financial services industries had significant findings (2023: consumer products, financial services and life sciences).

In 2024, we imposed new enforcement actions on two non-annually inspected firms, while eight others continued to operate under enforcement actions imposed in previous years. One firm was terminated as a result of non-compliance with previously imposed enforcement actions. Decisions will be made in 2025 regarding the escalation of regulatory intervention and the modification and/or termination of certain existing enforcement actions.

Further details of our 2024 enforcement actions are outlined in the Enforcement overview section on page 22 of this report.

System of quality management assessments

In the current year, we included a limited review of select aspects of the non-annually inspected firms' implementation of CSQM 1. We noted that these firms have made efforts to design, implement and operate their system of quality management. Firms that are part of a network have a more mature system of quality management as a direct result of the CSQM 1 implementation resources available from the network. We observed that some smaller firms have used experienced external consultants to perform the monitoring and remediation function. This ensures there is expertise in this area as well as independence and objectivity in the process.

We reviewed the 2023 self-evaluations performed by the firms and noted that many firms concluded that their system of quality management provides them with reasonable assurance that the objectives of the system have been achieved. However, many of the self-evaluations did not appropriately demonstrate inputs considered as part of the evaluation. These firms need to enhance the evidence supporting their self-evaluation processes, including the assessment of whether findings indicate potential deficiencies, individually or in aggregate. We also identified findings related to the risk assessment and monitoring and remediation processes, as well as governance and leadership, similar to those we identified in 2023 for other annually inspected firms. Firm leadership needs to dedicate sufficient and appropriate resources to support the design, implementation and operation of a strong system of quality management.



Restatements

There have been five restatements as a result of significant findings identified during our inspections at non-annually inspected firms since our 2023 annual report. The restatements were in the cannabis, consumer products, crypto, life sciences and mining industries. This compares to three restatements at non-annually inspected firms reported in our 2023 annual report in the crypto (two) and mining (one) industries.





Looking Forward

Technology

Over the past few years, we have seen significant advancements in the development of emerging technologies for use in audit and finance. These developments include increased integration of applications that leverage artificial intelligence (AI). Auditors can leverage AI-enabled tools to process information, allowing them to focus on the more complex and judgement-based aspects of an audit.

In 2025, CPAB will influence the controls and processes that audit firms integrate into their use of emerging technologies, including AI, in the audit. Our work will integrate insights on the use of technology in the audit from our inspections and external outreach, combined with our collaboration with other regulators. We will continue to engage with international audit regulators through our leadership in the International Forum of Independent Audit Regulators' Technology Task Force.

Fraud

Fraud continues to be an important focus area for capital markets in both Canada and internationally. As the audit environment changes at a rapid pace, we expect emerging risks and trends to increasingly impact fraud risk. Auditors will continue to play a key role in the prevention and detection of fraud.

Our [2025 fraud publication](#) provides a detailed overview of observations from our 2024 thematic review, including case studies.

Over the past five years, we have observed auditors make progress in areas such as the use of forensic specialists, enhanced fraud risk assessment and identification, and the inclusion of other specialists who support the audit (i.e., tax, information technology, valuation) in fraud planning. While most of the audit work we inspect complies with the existing fraud standard, to provide greater protection to the investing public, a more questioning mindset is needed.

CPAB will continue to engage with standard setters regarding the finalization of revisions to International Standard on Auditing (ISA) 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*. We continue to encourage firms to adopt best practices with respect to their fraud risk assessments and the related procedures designed to respond to identified risks.

Climate thematic review

In the third year of CPAB's climate thematic review, we observed that engagement teams at the largest firms are considering the impact of climate-related factors in audit risk assessment activities, though the depth of those risk assessments does vary from audit to audit. Other firms are continuing to raise awareness on the topic both internally and in discussions with reporting issuers.

CPAB will continue to monitor sustainability-related developments in both Canada and internationally, adapting our oversight activities accordingly. We encourage audit firms and reporting issuers to be similarly agile in their monitoring and preparedness activities.



Enforcement overview

Enforcement actions are an integral part of CPAB's regulatory intervention. CPAB takes enforcement actions when necessary to prevent and deter violations of auditing and other professional standards. Such actions are imposed to improve audit quality with the goal of protecting the investing public and contributing to public confidence in the integrity of financial reporting.

CPAB publicly discloses significant enforcement actions that result from poor inspection findings and all enforcement actions resulting from an investigation. Significant enforcement actions include a restriction from accepting new reporting issuers, prohibiting the firm's continuance as auditor for certain reporting issuers, prohibiting the assignment of specified professionals on audit engagements, and terminating a firm's registration with CPAB. If terminated, a firm is prohibited from conducting audits of Canadian reporting issuers. In such cases, the firm's reporting issuers will have to retain an alternative auditor that is registered with CPAB.

Summaries are posted on CPAB's [website](#) relating to nine firms that are or were the subject of significant enforcement actions resulting from inspection findings and in relation to four firms as a consequence of investigative findings.

In addition to serving as a deterrent, these publications aim to further reinforce public confidence in Canada's capital markets and provide information that supports audit committees and investors in their roles.

Enforcement actions

In 2024, there were 18 firms subject to enforcement actions,⁹ compared to 17 in 2023. During the year, enforcement actions were imposed on three firms that were not already operating under such actions. Fourteen firms were operating under requirements or restrictions imposed in prior years that were modified or continued. Enforcement actions were effectively removed from one firm that was terminated as a participating firm for failure to comply with such actions. CPAB can modify enforcement actions in response to improved or deteriorated inspection results.

Figure 21 identifies the requirements, restrictions and sanctions imposed or in effect in 2024 compared to 2023.

While a restriction on accepting new reporting issuer engagements may relate to a firm's overall practice, there are also instances in which firms are restricted from accepting reporting issuers that are defined as moderate or high risk. CPAB imposes these types of restrictions when we believe there is a risk to the investing public.

In addition to a restriction, CPAB may also impose a variety of enforcement actions in the form of requirements, listed in Figure 21, which are intended to help the firm improve and maintain audit quality.

⁹ Enforcement actions are defined as any requirement, restriction or sanction imposed pursuant to CPAB Rule 601.



CPAB does not have the authority to impose monetary fines on a firm and operates under a cost recovery model. Payment of CPAB's compliance monitoring costs by firms operating under an enforcement action is a standard aspect of each enforcement order.





Enforcement actions imposed or in force by year

		Four largest firms		Other annually inspected firms		Non-annually inspected firms	
		Imposed or in effect in 2024	in 2023	Imposed or in effect in 2024 ¹	in 2023	Imposed or in effect in 2024 ²	in 2023 ³
Sanctions	Termination	-	-	-	-	1	1
	Public censure	-	-	3	3	3	5
Restrictions	Restricted from taking on new high risk reporting issuers	-	-	1	-	1	1
	Restricted from taking on new moderate and high risk reporting issuers	-	-	1	2	4	2
	Restricted from taking on new reporting issuers	-	-	1	1	3	4
	Restriction on the continuance of certain reporting issuer clients	-	-	-	-	-	1
	Prohibited from assigning certain firm personnel to reporting issuer clients	-	-	-	-	1	1
Requirements	Enhanced reporting to CPAB	1	-	5	6	4	3
	Additional training and/or coaching	-	-	1	2	6	6
	Enhanced engagement quality control review	-	-	-	-	4	3
	Mandated firm client portfolio review	-	-	-	-	3	3
	Mandated partner and manager portfolio review	-	-	-	2	2	1
	Appointment of an independent monitor	1	-	4	4	-	1
	Enhanced disclosure of CPAB inspection findings and/or recommendations to partners within the firm	-	-	2	2	-	-
	Enhanced internal monitoring and oversight of quality initiatives	1	-	1	1	-	-
	External professional to review the firm's system of quality control and/or completed audit engagements	-	-	2	3	-	1
	Cultural survey (perform or implement recommendations)	-	-	1	3	-	-
	Detailed root cause analysis (internal or external)	-	-	3	2	6	5
	Implement quality action plan	1	-	3	1	4	3
	Implement a budgeting and resource management tool	-	-	-	2	-	1
Design, implement and/or test internal controls and/or responses for engagement budgeting and resource scheduling tools	-	-	2	4	1	-	
Other (including completing inflight reviews, revising policies)	1	-	13	4	7	11	
		5	-	43	42	50	53
Number of firms subject to enforcement actions		1	-	6	6	11	11

¹ All requirements were terminated on one firm in February 2024.

² All requirements and restrictions were effectively terminated on one firm in April 2024 upon its termination as a participating firm.

³ Restrictions and requirements were terminated on one firm in February 2023 and one requirement was satisfied on each of two other firms during the year.

Figure 21



Investigations

CPAB commenced the year with six ongoing investigations. During 2024, three new investigations were initiated and two¹⁰ were closed. As of December 31, 2024, there were seven active investigations. The results of all investigations that identify a violation event that leads to enforcement actions are published on our [website](#).

Recovering CPAB's investigation costs from the firm being investigated is a standard part of the enforcement process.

How CPAB's regulatory intervention process works

CPAB expects firms to resolve audit quality issues as they arise during an inspection. CPAB's Rules provide a framework of regulatory intervention mechanisms to address audit quality deficiencies at the file and firm levels.

Throughout the inspection process, both the engagement team and audit firm are given the opportunity to provide their perspectives and written responses in relation to the facts, findings and recommendations arising from the inspection. Once the inspection has concluded, to protect the investing public and promote audit quality, unresolved matters may be escalated to determine if further regulatory intervention is required. This can include enforcement actions or the commencement of an investigation.

CPAB commences an investigation when we consider that a violation event may have occurred and additional information is needed. A violation event includes conduct that breaches CPAB's Rules, auditing and other professional standards and may have an impact on the provision of audit services. This includes a failure to comply with enforcement actions previously imposed on a firm. An investigation can be triggered by information received from a variety of sources including whistleblower reports, other regulators, CPAB inspections or internal risk monitoring.

CPAB initiates the escalation of regulatory intervention following an inspection or investigation by proposing the imposition of enforcement actions including requirements, restrictions or sanctions. All regulatory intervention is designed to protect the investing public and encourage sustained improvements to audit quality.

Requirements typically involve CPAB mandating that the firm implement targeted actions or change certain practices to improve audit quality, such as conducting a culture assessment, providing additional training or retaining an independent monitor to oversee compliance with any imposed enforcement actions and other audit quality related firm initiatives.

Restrictions typically involve CPAB limiting the audit firm's practice. This could include restricting the firm from taking on new reporting issuers, high risk reporting issuers or reporting issuers in particular industries.

¹⁰ One investigation resulted in enforcement actions for violations of independence rules and is published. The other was closed after the firm was terminated for failing to comply with previously imposed enforcement actions.



Sanctions include, but are not limited to, a public censure and termination of a firm's status as a participating audit firm.

The initial decision to propose the imposition of enforcement actions is determined by CPAB's Enforcement Screening Panel, composed of senior members of the CPAB leadership team. The panel reviews each matter and forms a recommendation that is brought to CPAB's board for approval.

If the board decides to propose one or more enforcement actions, formal notice is provided to the firm. The firm can challenge the proposed enforcement action(s) by petitioning for a review proceeding. If the firm does not petition for a review proceeding, the enforcement action(s) will come into effect and immediate compliance is required. In 2024, there were no such challenges to enforcement actions proposed and ultimately imposed by CPAB.

In November 2024, CPAB's Rules were amended to provide the ability for CPAB to request the imposition of enforcement actions on an interim basis. A decision to deny or grant the request is to be made by a review proceeding panel. Such requests will only be made in exceptional circumstances. This amendment was enacted to enhance CPAB's ability to protect the investing public on a timely basis. CPAB has not yet pursued an interim order.





External outreach – expanding the conversation about audit quality matters

CPAB's external outreach strategy has two primary objectives, which are informed by our vision and mission.

- Inform and influence key stakeholders in the interest of promoting audit quality and protecting the investing public.
- Enhance CPAB's identification and understanding of emerging risks.

CPAB's external stakeholders include public company audit committees and directors, investors, other regulators and audit firms. CPAB engages with our stakeholders through one-on-one outreach, audit committee forums and audit quality roundtables, as well as through presentations at conferences, universities and other events. CPAB also shares information with members of the public via CPAB's subscription-based newsletters and bulletins, our website and LinkedIn.

Areas of interest in our meetings and forums included CPAB's initiatives to increase our public disclosures; audit committees' changing scope and priorities; the impact of artificial intelligence on the audit and business; cybersecurity; and prioritization and progress of evolving environmental, social and governance reporting. Our outreach in 2024 also included a focus on growing our connections with audit committees of reporting issuers with lower market capitalization.

2024 stakeholder survey

CPAB surveyed corporate directors, investors and reporting issuer management as part of our triennial stakeholder survey in 2024. CPAB was rated favourably across these stakeholder groups on its overall performance as an effective regulator. Of audit committee chairs and other directors surveyed, 83% assessed our effectiveness as 'excellent/good'. This result compares to the 84% rating we received in our 2020 survey and our 2022-2024 strategic plan target of 85%. Stakeholders noted a high level of satisfaction with CPAB's public reports, CPAB events and outreach to audit committees and other directors. One-on-one meetings with CPAB were cited as being highly valued.

In response to the feedback received, we will focus on the following in 2025:

- Complete the steps required to increase CPAB's disclosures including publishing of individual firm inspection reports.
- Prioritize one-on-one meetings with stakeholders, including regularly refreshing relationships with existing contacts and organizing audit committee forums.
- Identify and execute on strategies to increase our engagement with the venture issuer market and to explain CPAB's focus and key issues.
- Continue to raise the level of awareness of our publications, such as finding additional opportunities to share insights with relevant stakeholders.



Hearing from investors

Investors are an important stakeholder to CPAB. This outreach allows us to understand emerging risks and ensure that CPAB is meeting our mandate of serving the public interest. Our investor engagement focused on emerging risks impacting audit quality and confidence in financial reporting, covering a range of topics including technology and the audit, risks and opportunities from leveraging artificial intelligence, the evolution in our disclosures and our strategic plan and future direction.

Broadening our reach

We continued to build new relationships and renew existing relationships with many of our stakeholders.

Audit committee outreach included:

- CPAB's nine audit committee forums including a virtual forum focused on small to mid-sized reporting issuers.
- One-on-one meetings with audit committee chairs and corporate directors.
- Attending and presenting at events and conferences targeted to our key stakeholders.

Other outreach and dialogue with Canadian and international stakeholders included:

- Co-hosting the annual roundtable on audit quality with the Office of the Superintendent of Financial Institutions (OSFI) and Canadian Securities Administrators (CSAs) including senior representatives from standard setters, professional bodies and audit firms.
- Presenting at conferences for audit committees, business valuers, fraud examiners, audit firms, students and academics.
- Meeting with other regulators in Canada and internationally, including audit regulators, securities commissions and provincial regulators.
- Engaging as an active member of the Reporting and Assurance Standards Oversight Council.
- Discussing our perspectives and inspection findings with Canadian and international standard setters.
- Meeting with the Institute of Internal Auditors.
- Meeting with business and accounting students at Canadian universities.
- Providing our perspectives to standard setters in Canada and internationally, including preparation of five response letters on topics including business combinations, fraud and sustainability assurance.



- Held **9** audit committee forums (**165** participants attended).
- Engaged with directors of more than **240** reporting issuers.
- Engaged with reporting issuers representing a market capitalization of **\$1.9 trillion**.
 - Engaged with representatives of **76** reporting issuers with market capitalization between \$100 million and \$1 billion.

Figure 22





Further to the information presented earlier, Figure 23, Figure 24 and Figure 25 present the number of significant findings per files inspected by industry in 2024 and 2023.

Significant findings per files inspected by industry: Four largest firms

Industry	2024	2023
	Significant findings per files inspected	
Automotive	0 / 1	0 / 0
Cannabis	0 / 1	1 / 3
Clean technology	0 / 1	0 / 2
Communications and media	0 / 4	0 / 2
Consumer products	2 / 3	0 / 7
Crypto	0 / 1	0 / 2
Financial services	5 / 14	1 / 9
Forest products and paper	0 / 2	0 / 0
Freight and logistics	0 / 2	0 / 0
Healthcare	0 / 1	1 / 3
Industrial goods	0 / 3	1 / 3
Industrial services	0 / 4	3 / 8
Mining	0 / 5	1 / 8
Oil and gas	0 / 3	0 / 1
Professional and commercial services	0 / 0	0 / 1
Real estate	1 / 7	0 / 3
Retail	0 / 3	0 / 4
Technology	0 / 4	2 / 6
Transportation services	0 / 0	0 / 1
Utilities and pipelines	0 / 6	0 / 0
Total	8 / 65	10 / 63

Figure 23


Significant findings per files inspected by industry: Other annually inspected firms

	2024	2023
Industry	Significant findings per files inspected	
Cannabis	0 / 2	1 / 2
Communications and media	0 / 0	1 / 1
Consumer products	0 / 4	1 / 2
Crypto	0 / 1	0 / 1
Financial services	1 / 3	2 / 2
Healthcare	0 / 3	1 / 3
Industrial goods	0 / 1	0 / 0
Industrial services	1 / 2	0 / 1
Life sciences	0 / 1	0 / 0
Mining	2 / 9	3 / 6
Oil and gas	0 / 2	1 / 5
Psychedelics	0 / 1	0 / 1
Real estate	0 / 0	0 / 2
Retail	0 / 0	0 / 1
Technology	2 / 7	5 / 11
Total	6 / 36	15 / 38

Figure 24



Significant findings per files inspected by industry: Non-annually inspected firms

	2024	2023
Industry	Significant findings per files inspected	
Cannabis	6 / 7	4 / 7
Communications and media	0 / 1	0 / 0
Consumer products	1 / 1	1 / 1
Crypto	3 / 4	5 / 7
Entertainment	0 / 1	0 / 0
Financial services	2 / 2	1 / 1
Healthcare	1 / 2	0 / 0
Industrial goods	1 / 2	2 / 3
Life sciences	0 / 1	1 / 1
Mining	2 / 5	1 / 3
Professional and commercial services	0 / 1	0 / 0
Technology	1 / 3	4 / 6
Total	17 / 30	19 / 29

Figure 25

Non-annually inspected firms



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