



## **Canada's audit regulator reports overall decrease in significant inspection findings in 2016; consistent audit execution remains a challenge**

*CPAB and firms to focus on systems and processes to drive consistent execution*

TORONTO, March 29, 2017 – In its report released today on the 14 public accounting firms inspected in 2016, the Canadian Public Accountability Board (CPAB) noted an overall decrease in significant findings compared to last year. CPAB identified significant findings in 24 audit engagement files compared to 43 in 2015. Despite this improvement in overall audit quality, the 2016 report also found that inconsistent audit execution continues to be a challenge.

- In 2016, CPAB inspected 135 (144 in 2015) annual firm files and identified significant findings in 24 of those files (43 in 2015).
- Overall, CPAB's Big Four (Deloitte LLP, EY LLP, KPMG LLP, PwC LLP) inspection findings were consistent with findings in the other 10 firms inspected annually.
- Key recurring inspection themes included professional judgment and skepticism, executing audit fundamentals, significant accounting estimates, understanding business processes relevant to financial reporting, and internal controls.

“Our findings indicate that most public company audits in Canada are well done,” said Brian Hunt, CEO, CPAB. “However, we have seen variations in firm quality systems and execution in our findings pattern over the past several years and we continue to find exceptions where firms do not execute consistently. Our message to the firms is clear: they need to do more to fully embed the audit quality improvements seen in recent years in their approach to every single engagement.”

To further enhance audit quality in 2017 and beyond – with an emphasis on consistency of execution – CPAB will begin to shift its inspections focus to more operational reviews of the effectiveness of firm structure, accountabilities, quality processes, and culture over the next two years, beginning with the Big Four firms and expanding to the other annual firms over time.

“This will help the firms and CPAB better identify and understand impediments to improving firm quality systems (actual workflow and monitoring that workflow),” said Hunt.

CPAB's report also notes that audits in foreign jurisdictions remain an area of concern. “While we have finalized memoranda of understanding in a number of foreign jurisdictions, we still experience limitations in accessing component audit work in certain others,” said Hunt.

“We have proposed a regulatory way forward to the relevant Canadian securities authorities to access information and related audit working papers so we may fulfil our mandate. The Canadian Securities Administrators (CSA) are examining our proposal to determine whether legislative amendments should be considered. We look forward to working together with

securities authorities and other stakeholders to address these limitations as quickly as possible.”

Each firm participating in the Protocol for Audit Firm Communication of CPAB Inspection Findings with Audit Committees (Protocol) shares their file-specific significant findings, and this report, with their clients’ audit committees. CPAB strongly encourages audit committees to discuss the public report and any file-specific findings, if applicable, with their auditor.

CPAB’s 2016 annual inspections report and 2016 Big Four inspections report are available at [www.cpab-ccrc.ca](http://www.cpab-ccrc.ca).

### **About CPAB**

The Canadian Public Accountability Board (CPAB) is Canada’s audit regulator responsible for the regulation of public accounting firms that audit Canadian reporting issuers. CPAB operates independently from the provincial regulatory authorities who oversee the accounting profession. A world-class audit regulator, CPAB contributes to public confidence in the integrity of financial reporting, which supports Canada’s capital markets. CPAB operates from offices in Montréal, Toronto and Vancouver.

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