

Performing an effective root cause analysis

The Canadian Standard on Quality Management (CSQM) 1 mandates that Canadian audit firms perform a root cause analysis to identify underlying reasons leading to deficiencies in their quality management systems.¹

Performing an effective root cause analysis helps firm leadership to identify and understand their firm's audit quality risks, enabling them to determine an appropriate response to address audit quality issues and mitigate related risks.

In recent years, many international regulators and professional bodies have published guidance, outlining good practices for firms to consider when performing root cause analysis with the aim to improve audit quality and the root cause analysis process.

CPAB recommends that firms review these resources to improve the effectiveness of their root cause analysis.

[Root Cause Analysis – An Effective Practice to Drive Audit Quality](#)

Source: *Public Company Accounting Oversight Board (US)*

Provides information on general considerations related to Root Cause Analysis (RCA), observations from the Public Company Accounting Oversight Board's inspections and key questions for audit firms to consider when performing a root cause analysis.

[Thematic Review: ISQM \(UK\) 1 Root Cause Analysis \(RCA\)](#)

Source: *Financial Reporting Council (UK)*

Looks at how RCA is planned, performed and monitored for findings from individual audit engagements and firm-wide processes.

[Quality Management Series: Small Firm Implementation, Installment Three](#)

Source: *International Federation of Accountants*

Provides information and guidance for smaller firms on the monitoring and remediation component of a firm's system of quality management, including a practical guide on performing root cause analysis.

¹ CSQM 1, paragraph 41.

We want to hear from you

An objective of this publication is to serve as the foundation for ongoing discussions with audit firms, auditing standard setters and other regulators.

We would like to hear from you. Please send your comments or questions to thoughtleadership@cpab-ccrc.ca.

About CPAB

The Canadian Public Accountability Board (CPAB) is Canada's independent, public company audit firm 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 has offices in Montreal, Toronto and Vancouver.

Learn more

Visit us at <https://cpab-ccrc.ca> and join our [mailing list](#). Follow us on [LinkedIn](#).

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, 2024. ALL RIGHTS RESERVED.

www.cpab-ccrc.ca / Email: info@cpab-ccrc.ca