



CANADIAN PUBLIC ACCOUNTABILITY BOARD
CONSEIL CANADIEN SUR LA REDDITION DE COMPTES

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Canada’s audit regulator releases annual public report on Big Four accounting firm inspections

Significant inspection findings lower in 2017; CPAB views longer term consistency through a quality systems lens

TORONTO, November 27, 2017 – In its public report on the 2017 inspections of Canada’s four largest accounting firms (Big Four — Deloitte LLP, EY LLP, KPMG LLP, PwC LLP) released today, the Canadian Public Accountability Board (CPAB) reported a reduction in inspection findings across the four firms in 2017 compared to last year. It inspected 86 (2016:87) audit engagement files – six of those files had significant findings compared to 11 files in 2016 and 24 files out of 93 in 2015.

“While each Big Four firm demonstrated an acceptable level of inspection findings overall, CPAB continued to find exceptions where they are still not executing consistently across the organization,” said Brian Hunt, CEO, CPAB. “The need to fully embed audit approach improvements into every practice and every engagement still requires more attention.”

For the four firms, the majority of inspection findings related to significant accounting estimates, executing audit fundamentals, and professional judgment and skepticism. A significant inspection finding is defined as a deficiency in the application of generally accepted auditing standards that could result in a restatement. There are two restatements to date.

To better identify and understand impediments to improving firm quality systems and consistency in how audits are performed, CPAB will evolve its inspection approach in 2018 to incorporate additional operational reviews of the effectiveness of firm structure, accountabilities, quality processes, and culture. The new approach will launch in the 2018 inspection cycle beginning in March 2018 at the Big Four firms. CPAB expects to apply the new model to the 10 other annually inspected firms in 2019 or beyond.

The Big Four firms share significant inspection findings and CPAB’s public reports 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 2017 Big Four Report is available at 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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