



CANADIAN PUBLIC ACCOUNTABILITY BOARD
CONSEIL CANADIEN SUR LA REDDITION DE COMPTES

150 York Street, Suite 900, Toronto, Ontario M5H 3S5
Tel 416.913.8260 Fax 416.850.9235 www.cpab-ccrc.ca

Regulator releases annual report on audits of Canadian public companies

TORONTO, March 29, 2019 – In its annual inspections report released today, the Canadian Public Accountability Board (CPAB) noted an overall increase in significant inspection findings in 2018 relative to the previous year. CPAB observes that, while the trend in audit quality results has improved for most firms over the past 15 years, the 2018 inspections results show that sustainable, consistent audit quality remains a challenge in Canada.

All firms that audit a Canadian public company must register with CPAB and be inspected (273 firms at December 31, 2018). In 2018, 28 per cent of the files CPAB inspected had significant findings (2017: 12 per cent). A significant inspection finding is a significant 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. The 2018 findings were particularly prevalent in audits where business acquisitions had occurred, and in new industries such as cryptocurrency and cannabis. CPAB’s inspections resulted in five restatements of public company financial statements in 2018.

“A critical concern for CPAB is the recent deterioration in inspection results”, said Carol Paradine, CPAB CEO. “The increase in significant inspection findings was primarily driven by the results at six firms; each of these firms is now implementing a variety of changes in systems and controls designed to improve audit quality. In conjunction with this, CPAB has taken appropriate intervention actions. In the future, enhanced firm quality management systems will be critical to achieving sustainable, high quality audits.”

On the international front, the report notes that CPAB continues to actively engage with Canadian securities regulators to get appropriate access to audit work completed in foreign jurisdictions, so it can continue to safeguard audit quality and protect the interests of the investing public in Canada.

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 report and any file-specific findings, if applicable, with their auditor.

CPAB’s Audit Quality Insights Report: 2018 Annual Inspections Results is available at www.cpab-ccrc.ca.

About CPAB

The Canadian Public Accountability Board (CPAB) is Canada’s independent, public company audit 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 sustainable 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.

For more information, contact:

**Adrienne Jackson, Senior Director, Communications
Canadian Public Accountability Board
416-913-8267
adrienne.jackson@cpab-ccrc.ca**