



## Canada's audit regulator releases 2018 fall inspections report

TORONTO, October 3, 2018 – In its public report on the 2018 inspections of public accounting firms Deloitte LLP, Ernst & Young LLP, KPMG LLP, and PwC LLP released today, the Canadian Public Accountability Board (CPAB) reported inconsistent audit quality among the four firms. While overall audit quality in Canada remains strong, CPAB reported an increase in significant inspection findings in 2018 compared to the previous year.

To date, CPAB inspected 77 out of 80 planned (2017:86) audit engagement files; 14 of those files had significant findings compared to six files in 2017. A significant inspection finding is a deficiency in the application of generally accepted auditing standards that could result in a restatement.

Two firms demonstrated an acceptable level of audit quality, while the two firms with more findings than last year are responding to CPAB's remediation requirements. No restatements have been required to date. Common findings related to business combinations, revenue recognition, impairment testing, and basic audit fundamentals.

"As we examine these inspection findings, we are continuing to see inconsistent audit quality; while the overall state of public company auditing in this country is strong, this prolonged inconsistency is something we are focused on requiring the firms to resolve," said Carol Paradine, CEO, CPAB. "More specifically, these results tell us that public accounting firms in Canada need to do more to fully embed audit quality across the whole assurance portfolio. We have a plan in place to work with all firms to ensure this inconsistency is addressed."

In 2018, CPAB revised its inspections approach to enhance its assessment of audit quality by increasing its focus on existing quality management systems to accelerate improvements at all four firms.

"Firm leadership and CPAB identified specific weaknesses and gaps across all firms' quality management systems," said Jane Williamson, Senior Vice President, Audit Regulation, CPAB. "Of note, in many cases our file-related significant findings were indicative of deficiencies in the firms' quality management systems."

All firms must advance their assessment work where not complete, remediate deficient processes and implement new controls. CPAB will continue its review and reassess the firms' progress in 2019.

The four firms share significant inspection findings and CPAB's public reports with their clients' audit committees. CPAB strongly encourages audit committees to discuss its report and any file-specific findings, if applicable, with their auditor.

CPAB's Audit Quality Insights: 2018 Fall Inspections Report is 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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