CPAB
CCRC

CANADIAN PUBLIC ACCOUNTABILITY BOARD
CONSEIL CANADIEN SUR LA REDDITION DE COMPTES

15 YEARS OF AUDIT QUALITY REGULATION

MARCH 2019

2018 Annual Report

CPAB-CCRC.ca

CPAB At A Glance

Vision

The Canadian Public Accountability Board (CPAB) is a leading audit quality regulator that reinforces public confidence in Canada's capital markets.

Mission

CPAB promotes sustainable audit quality through proactive regulatory oversight, facilitating dialogue with domestic and international stakeholders, and publishing practicable insights to inform capital market participants.

Board of Directors

CPAB's board of directors ranges from a minimum of nine to a maximum of 11 members, all appointed by the Council of Governors. The majority must be non-accounting professionals and at least two directors must have regulatory or regulatory/audit oversight experience.

Employees

CPAB employs approximately 50 professionals.

Locations

CPAB operates from offices in Montreal, Toronto and Vancouver.

Contents

Chair's Message

CPAB's oversight of Canada's public accounting firms contributes to investor confidence in the integrity of financial reporting. High quality financial statements, supported by high quality audits, reinforce the stability of our capital markets. CPAB's board of directors oversees CPAB's regulation of firms performing public company audits and its operational performance.

CPAB's interventions create incentives for firms to accelerate overall quality improvements; however, inconsistent execution and variations in the level of quality persist. The board fully supports CPAB's evolved methodology that combines risk-based audit engagement file inspections with firm quality management system assessments. This work began in the 2018 inspections cycle at Canada's four largest public accounting firms – early observations suggest that file-related significant inspections findings indicate certain deficiencies in quality management systems. There is much more to be done in this area and CPAB will continue to review and assess the firms' progress in 2019.

2018 was the final year in the execution of CPAB's 2016-18 strategic plan. Key milestones achieved include a broader recruitment focus and enhanced talent development program, implementation of quality management system assessments, expanded dialogue with key stakeholders such as audit committees, financial management, investors and other regulators, and increased publication of our perspectives on audit quality matters. Additional details on our strategic progress follow on page 5 of this report.

In January 2019 CPAB published its **Strategic Plan 2019-2021: Accelerating Audit Quality**. The next three years promise both challenges and opportunities in audit regulation and in the drive for high quality, consistent audits of public companies in Canada. You'll read more about our ambitious but practicable strategic commitments in this report. I look forward to seeing continued improvements in audit quality in 2019 and beyond.

This year marks the end of my final term as Chair of CPAB. It has been an honor to serve in this role and it is my pleasure, on behalf of the board, to welcome Benita Warmbold as incoming Chair and Sheryl Kennedy as Vice Chair effective March 18, 2019. The board also thanks Kenneth Crump and Gary Porter who completed their service in 2018 for their tremendous contributions to CPAB, and Jocelyn Proteau who has provided exemplary service as Vice Chair and will step down in March 2019. I am also very pleased to welcome Sheila Fraser, O.C. and Kevin Kelly as new board members who join CPAB with a wealth of governance and industry experience. Finally, I wish to thank all my board colleagues and the entire CPAB management team and staff for their ongoing commitment to enhancing the quality of Canadian audits.

Nick Le Pan
Chair

CEO's Message

On March 1, 2019 I completed my first year as CPAB's Chief Executive Officer. It's been a rewarding 12 months – full of critical learnings, insightful discussions with a range of key stakeholders, and the pleasure of getting to know and lead a new team of professionals. I am impressed with the energy and expertise that surrounds me in this role.

I'd like to thank CPAB staff and board members for their unwavering focus on audit quality, and for warmly welcoming me into the fold in 2018. And because CPAB doesn't work alone – we're part of a robust financial governance system – I'd also like to acknowledge our stakeholders for their continued diligence with respect to protecting Canadian investors.

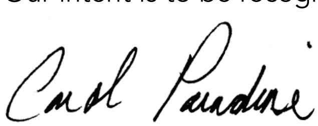
It was a busy year with significant activity across our core business. A key element was our regulatory and inspection activities, including proactive intervention where circumstances warranted. We met with numerous public company directors and presented to broader audiences on a variety of audit quality matters, including our inspections findings and the state of audit quality in Canada, and how innovations in technology are impacting the audit and regulation. We initiated the assessment of firm audit quality management systems. We explored the audit implications related to new businesses like cannabis and cryptocurrency and provided our perspectives to the audit firms we oversee. We continued to actively engage with the Canadian securities regulators to get appropriate access to audit work completed in foreign jurisdictions where this access is currently restricted so that we can continue to safeguard audit quality and protect the interests of the investing public in Canada. And we reflected on and engaged in strategic forums exploring the evolution of the profession, advancement of the regulatory model, and the future of the audit.

A critical concern for CPAB in 2018 is the recent deterioration in inspection results. 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. The result of the application of our new assessment methodology is that all of the largest firms tested need improvement.

Looking ahead, I can say without question that CPAB is squarely focused on the future of audit quality. The world of financial reporting is moving faster than ever, confidence in public institutions and in the audit profession has made recent headlines, and regulation is in the spotlight. Sustaining and accelerating overall quality, and thereby the public trust, as the business environment and the audit industry evolve will require heightened vigilance and measurable improvement.

In January, following consultation with key stakeholders, including investors, audit committees, other regulators and our employees, CPAB launched our 2019-21 strategic plan. Over the next three years, CPAB will engage with stakeholders to drive sustainable quality solutions. We will relentlessly pursue innovation and continuous improvement. We will be a place where the best of the best wants to be – where diversity of thought and background is in our DNA. Operational excellence will underscore all of this.

Our intent is to be recognized for regulatory excellence and professionalism.



Carol Paradine, CPA, CA
Chief Executive Officer

15 years of accelerating audit quality

This year we celebrated CPAB's 15th anniversary as Canada's public company audit regulator.

CPAB was established in 2003 by the Canadian Securities Administrators, the Office of the Superintendent of Financial Institutions and the Canadian Institute of Chartered Accountants (now CPA Canada) as part of a series of reforms to strengthen investor confidence and protect our capital markets. Since then CPAB has provided regulatory oversight of accounting firms that audit Canadian public companies to drive consistent quality. Our skilled professionals conduct inspections of public company audits and impose remedial actions to improve audit quality, engage with key stakeholders, and share insights with the audit community in Canada and abroad.

CPAB has seen improvement in overall audit quality in the past 15 years. Audit firms, audit committees and management have demonstrated a greater focus on delivering quality audits and CPAB has leveraged learnings from our inspections program to inform our discussions with key stakeholders including audit professionals, audit committees, other regulators and investors. Still, there is more to be done. Our recent inspection findings are similar for some firms and have risen at others over last year's cycle – this tells us sustainable audit quality is still a challenge across the firms. We believe the strength of a firm's audit quality management systems will be critical to accelerating improvements in the sustainability of high-quality public company audits.

2016-18 Strategic Plan Highlights

2018 marked the final year in the execution of CPAB's 2016-18 strategic plan. We made progress in building on our assessments of firm quality management systems, expanding our dialogue with key stakeholders like audit committees, management, investors and other regulators, and increasing the publication of our perspectives on audit quality matters. Below is a summary of our achievements over the last strategic period.

Strategic Imperative **1**

Continue to field a high-performance team.

OVERALL PROGRESS

- Broadened hiring focus and enhanced leadership training to build the competencies needed to execute on quality management system assessment methodology and to respond effectively as the audit industry advances.
- Improved collaboration among diverse teams and functions.
- Implemented long term career development and succession planning.

Strategic Imperative **2**

Further build on risk assessment and mitigation.

OVERALL PROGRESS

- Improved quality of the data and information used in risk assessment including increased automation and development of an enhanced firm risk model.
- Deepened the application of our enterprise risk management system, including updating and testing our crisis preparedness plans and appointing a Chief Risk Officer to steward our work in this area.

Strategic Imperative **3**

Continue to enhance inspections.

OVERALL PROGRESS

- Augmented risk-based file inspections with a greater focus on audit quality management system assessments.
- Required audit firms to develop action plans to address the significant root causes of identified audit quality findings.
- Advanced efforts to gain access to working papers for audits performed on Canadian-listed companies with operations outside of Canada. Certain countries, including China, continue to prevent CPAB from inspecting audit work of Canadian public companies conducted in their jurisdictions. Our efforts to increase access will continue as a high priority in 2019. (For a detailed list of jurisdictions where CPAB is unable to access working papers, please visit www.cpab-ccrc.ca).
- Launched non-annually inspected firm strategy.

Strategic Imperative 4

Develop practical and meaningful thought leadership.

OVERALL PROGRESS

- Published audit quality insights for audit committees, encouraged standard setters to innovate and increase the pace of change, and provided our perspectives through numerous publications on emerging areas such as audit quality indicators (AQIs) and auditing in the crypto-asset space.
- Delivered AQI pilot with audit committees and established AQI network.

Strategic Imperative 5

Expand awareness and understanding of issues related to audit quality across key stakeholders.

OVERALL PROGRESS

- Shared information regarding audit quality matters with public company audit firms, audit committees, management, investors and other regulators in Canada and internationally.
- Met with more than 200 public company directors across a range of market capitalization and industries.
- Hosted 13 industry forums and 2017 Audit Quality Symposium: Earning Investor Confidence.
- Participated in the discussion on proposed reforms to international standard setting by the Monitoring Group which comprises public authorities responsible for monitoring the international audit standard-setting process.
- Conducted a stakeholder survey and implemented action plan to address feedback.

Accelerating Audit Quality: 2019-21 Strategic Plan

Everything CPAB undertakes is intended to improve audit quality and the protection of the investing public. Building on our focus and the progress achieved over the last strategic planning period ended December 2018, our 2019-21 strategic plan is singularly focused on this goal.

Over the next three years, enabling disruptors such as new technologies and new businesses will reshape the audit as we know it. The demand for different skills from auditors and regulators alike is already here. Machine learning and artificial intelligence have started to replace certain audit procedures and emerging industries, including cannabis and cryptocurrency, are currently impacting Canada's public markets.

This is just the tip of the iceberg of the changes afoot. The 2021 audit environment will require an agile and progressive regulator keenly focused on improving audit quality and heightening investor protection in a changing environment.

Through 2019-21, CPAB will strengthen our regulatory effectiveness and drive higher quality audits by committing to:

ONE — Cultivate a proactive, adaptive and innovative culture that elevates our regulatory effectiveness.

CPAB was established in 2003. Over the past 15 years, there has been a significant improvement in the quality of audits of public companies in Canada. Our success in driving advances is predicated on the quality and diversity of our people and how we work as a team. We will continue to focus on leadership, workforce and culture enhancements to maximize organizational capability and position CPAB as an employer of choice.

TWO — Drive targeted, systemic changes to accelerate audit quality improvements.

In Canada, public accounting firms must do more to fully embed audit quality on a consistent basis. To do this, we expect them to have quality systems that manage risk, emphasize strong governance and culture, and deploy highly trained professionals with skillsets tailored by industry and areas of expertise. Having the right people working on the right things at the right time, all the time is essential to delivering high quality audits, consistently. We will measure progress of the firms in meeting our expectations through our audit file inspections and our assessment of their quality management systems using the following indicators:

- Percentage of audit files inspected with no significant findings (target of 90 per cent with no significant findings by 2021).
- Percentage of firm quality management systems with a rating no lower than "Acceptable with opportunity for enhancement" (phased implementation with a target of 90 per cent of the quality system components within each Big Four firm with this rating by 2021).

THREE Impact how the future audit is performed and regulated.

The future audit and CPAB's methodologies will need to adapt to changes in technology, emerging industries and stakeholder expectations, just to name a few:

- Technologies such as blockchain and artificial intelligence create opportunities to improve financial reporting and audit quality but pose risks as well.
- New industries – like cannabis and cryptocurrency, for example – are bringing new audit and financial reporting challenges.
- Changing expectations of stakeholders (including investors) that depend on the reliability provided by the audit.

These changes will have a significant impact on audit approaches and methodology, the skillsets required to perform an audit, and the auditing and ethical standards that guide auditor behavior and performance.

FOUR Influence global audit quality consistency.

Many Canadian public companies have global operations. The quality of Canadian audits is affected by the consistency of audit quality around the world. Close coordination is essential to achieving an appropriate level of uniform audit quality across all jurisdictions and CPAB will continue to play a leadership role on the global regulatory stage.

Key Performance Measures (KPIs)

Over the next three years, CPAB will assess the progress of participating audit firms in improving audit quality and our effectiveness as a regulator in overseeing this improvement through a variety of KPIs in the areas of audit firm quality management systems, stakeholder feedback, employee engagement and operational effectiveness.

To read our full strategic plan, please visit **www.cpab-ccrc.ca**.

2018 Operational Highlights

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Inspecting for quality – 2018 inspections program

All firms that audit a Canadian public company must register with CPAB and be inspected (273 firms at December 31, 2018). Each year, CPAB inspects all firms that audit 100 or more reporting issuers. There are currently 14 firms in this group which audit about 7,000 reporting issuers. These firms, and their foreign affiliates, audit approximately 99.5 per cent of all reporting issuers as measured by market capitalization. All other firms are typically inspected at least once every three years. We provide mandatory recommendations to improve audit quality which the audit firm must implement within a defined period – usually 180 days; this deadline is much shorter for more serious findings, particularly where there may be a potential restatement of the financial statements.

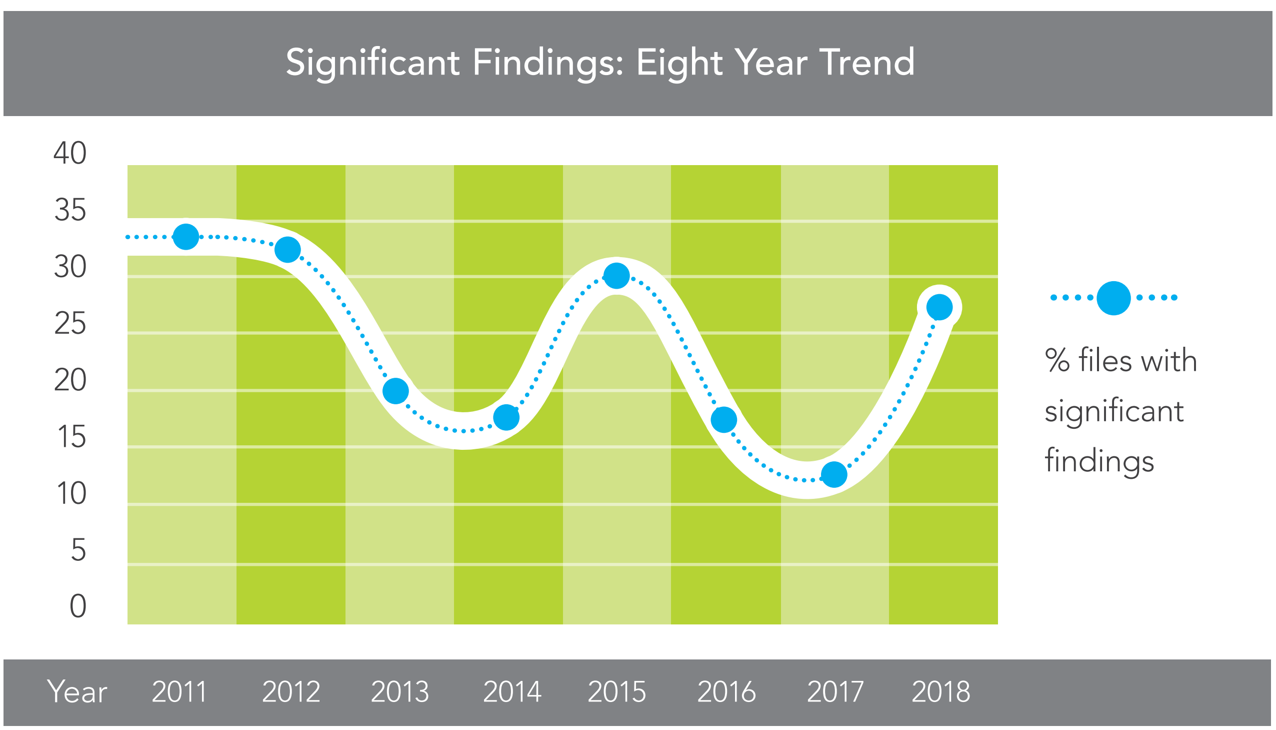
During 2018 CPAB inspected 32 firms (2017:45) and 139 engagement files (2017:154).

Overall, the trend in audit quality results has improved for most firms over the past 15 years; however, our current inspections show that sustainable, consistent audit quality remains a challenge in Canada. All participating audit firms must enhance their commitment to continuous improvement at every level of their organization and embed a culture of quality to deliver audits that are of consistently high quality. Quality management systems will be critical to this improvement. 2018 marked the first year of CPAB's enhanced assessment of the quality management systems at the country's four largest public accounting firms and we found that all firms require improvement.

Audit engagement file findings: significant findings higher in 2018, improvement needed now

Our inspections of the 14 public accounting firms reviewed annually showed an overall increase in significant findings over 2017. Of note, approximately half of our findings related to the execution of basic audit procedures. Results at eight of the 14 firms remained stable, but there were notable increases at the other six firms. And while there has been a consistent overall reduction in inspection findings over the past 15 years, this has not occurred across all firms, reinforcing the importance of strong quality management systems in sustaining and improving the level of audit quality.

In 2018, 28 per cent of the files we inspected had significant findings (2017:12 per cent). We inspected 122 (2017:128) audit files and identified significant findings in 34 (2017:15). Most of those findings required the firm to carry out additional audit procedures to determine the need, if any, to restate the financial statements due to material error. The remaining findings required firms to add evidence to the audit file to show they had obtained sufficient and appropriate audit evidence with respect to a major balance sheet item or transaction stream. For the 14 firms inspected annually, there are two restatements to date.



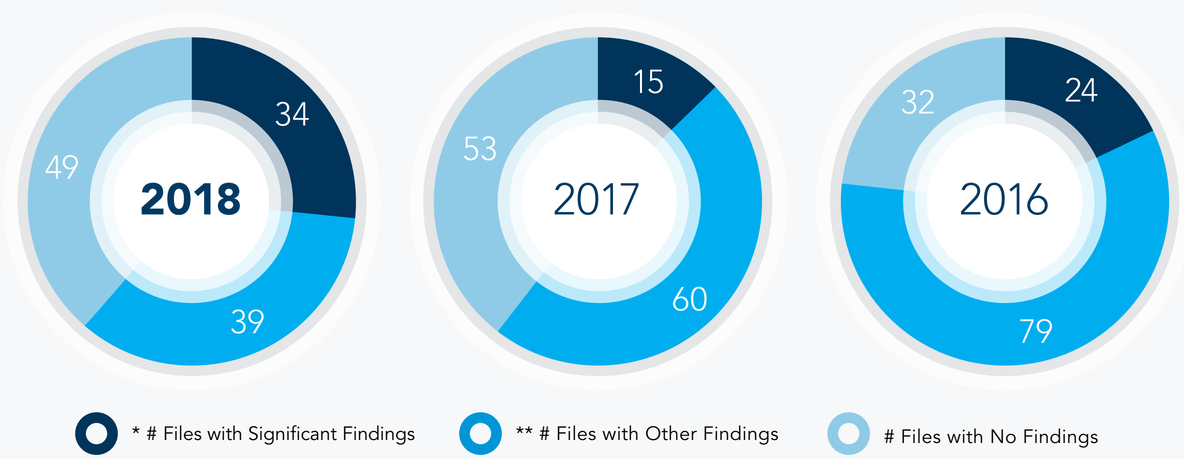
2018 Annual Firm Inspections Snapshot

CPAB inspected 14 annual firms in 2018 (2017:14) and 122 engagement files (2017:128)

Overall, the number of files with significant findings increased, files with other findings decreased and files with no findings remained similar to last year.

- Big Four firms: 80 engagement files; 16 with significant findings.
- Four national/network firms: 23 engagement files; 10 with significant findings.
- Six large regional firms: 19 engagement files; 8 with significant findings.

Annual Firms 2016-2018 Inspections Results



*Significant findings – A significant inspection finding is defined as a deficiency in the application of generally accepted auditing standards that could result in a restatement. CPAB requires firms to carry out additional audit procedures to verify there was no need to restate the financial statements due to material error, or to substantiate that they had obtained sufficient and appropriate audit evidence with respect to a material balance sheet item or transaction stream to support their audit opinion.

**Other findings – A noted deficiency in the application of generally accepted auditing standards related to a material balance sheet item or transaction stream where CPAB is able to conclude, without the engagement team performing additional procedures to support the audit opinion, that the deficiency is unlikely to result in a material misstatement. These findings, while not significant, indicate areas for improvement.

Quality management system reviews: engagement file deficiencies indicative of quality system gaps, improvement needed

While most audits we inspect comply with the required standards, recurring engagement file inspection themes indicate that weaknesses in quality management systems persist, leading to inconsistent audit execution. Firm policies and processes – at both the leadership and engagement team levels – that manage risk and get the right people working on the right things at the right time, all the time, are essential to delivering high quality audits, consistently. In response to these issues, in 2018 CPAB began to introduce a new methodology to assess existing quality management systems and to help accelerate improvements at the country's four largest public accounting firms – Deloitte LLP, Ernst & Young LLP, KPMG LLP and PwC LLP.

This new assessment approach requires firms to demonstrate the effectiveness of their quality management systems. It emphasizes the need to systemically embed audit quality processes (preventative and detective) into ongoing operations across the entire assurance portfolio so that audit deficiencies are identified and corrected in real time or, at a minimum, before the audit opinion is released. Monitoring and inspecting audit quality after the fact is not enough.

To provide some context, Canadian securities commissions require reporting issuers to document and certify their controls (and underlying processes) over financial reporting that management uses to assess operating effectiveness – known as certification. We took a similar approach to our assessment of the firms' audit quality management systems. We expect firms to fully document their firm-wide quality management systems and control processes, including the testing of the effectiveness of each control. And, just like the early days of certification, while progress has been made, we found a lack of robust documentation and formalized self-assessment mechanisms across the firms.

Each firm has made and continues to make a significant effort to improve, better articulate and document its quality management systems and controls, and to link them to CPAB's five assessment criteria: accountability for audit quality, risk management, talent management, resource management, and oversight. This foundational work was driven by the global network centre in some firms, and by the Canadian firm's national office in others. CPAB acknowledges that the firms are rethinking how they manage their operations to deliver higher audit quality and more consistent execution across offices and practices.

So far, CPAB's quality management systems review work has focused on assessing firm risks, control design and operating effectiveness, and reviewing firm documentation of each process. We considered the objective, resources, methodologies, type of risk, and severity of finding(s) related to each control and targeted the inter-relationships between firm risk management and firm talent and resource management processes.

CPAB's Firm Quality Management Systems Model: Five Criteria for Assessing Quality

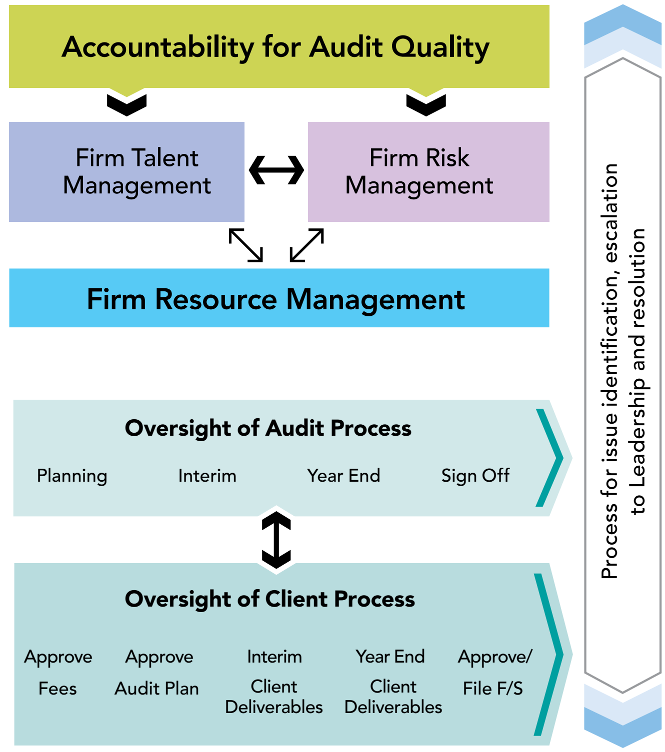
1. Accountability for Audit Quality:
Accountability for audit quality is clearly defined and appropriately delegated across firm leadership, functional areas, engagement teams (including specialists and experts) and engagement partners.

2. Firm Risk Management:
Systems to identify, effectively measure and monitor client risk, including audit risk, and appropriately align talent to client risk (Portfolio Management).

3. Firm Talent Management:
Sufficient talent capacity from engagement partners to all levels of assurance staff, including industry experts and specialists (i.e. valuations, tax and IT), to execute quality audits.

4. Firm Resource Management:
Process /ability to re-align and match talent (skills) on a proactive, timely basis, including specialists, to changing audit needs, priorities and risk profiles.

5. Oversight:
Ability / systems to provide firm leadership visibility on progress of audit work and proactively initiate issue resolution, as required, compared to client requirements and deadlines.



Initial findings

- Descriptions of processes and controls, in many instances, were too high level to enable an assessment of whether the control was appropriately designed and effective.
- Sometimes controls identified by the firms are policies or after-the-fact detective controls that would not identify an audit deficiency before the audit report is released – firm quality monitoring processes performed after release of an audit opinion, for example.
- Certain controls did not achieve their intended control objective or were not operating effectively. For instance, in tight time frames, progress reports and monitoring were neither sufficiently frequent nor granular enough to enable proactive intervention by leadership.
- In many instances, corrective actions taken to impact audit quality as a result of a control trigger were not described or evidenced. As an example, for an unplanned transition in lead engagement partner, specific actions taken by the firm to support the new partner were not evident.
- We encountered circumstances where firms described centralized processes and controls but could not demonstrate the consistency and effectiveness of those or similar processes at a regional or office level.
- We noted situations where processes and controls varied from location to location resulting in an increased risk in the overall control framework.
- In many instances, firm testing was focused on whether the control had been performed rather than an assessment of the effectiveness of the control.

Specific weaknesses and control gaps were identified at all firms and require remediation. Of note, in many cases our file-related significant findings were indicative of deficiencies in the firms' quality management systems. CPAB's evaluation framework for firm quality management systems comprises the following five categories: acceptable, acceptable with opportunities for enhancement, needs improvement, requires significant improvement, and no control in place. Overall, three firms need improvement and one firm requires significant improvement. The latter firm recognized gaps in its systems and determined the need to restructure its overall quality management systems; as a result, CPAB was unable to complete its assessment.

To attain an acceptable quality management system assessment, all firms must advance their self-assessment work, remediate deficient processes and implement new controls. CPAB will continue to review these and require improvements as necessary.

Quality management systems – questions for audit committees

1. CPAB has identified that all firms need improvements – what are the key steps that the audit firm is taking to improve the firm's audit quality management systems?
2. What tools and sources of information does firm leadership use to determine if issues requiring intervention are communicated and escalated in a timely manner (in addition to communication by an engagement partner)?
3. How does national leadership identify engagements where industry knowledge and resourcing need to be augmented to deliver a quality audit (other than through a firm's regional leadership review)?
4. How is the responsibility and accountability for audit quality delegated and monitored within the firm among national and regional leadership, specialists, firm experts and the engagement team?
5. How do firm quality management systems address the challenges of significant technological innovations and cyber threats?

Firm-specific results

Deloitte LLP, Ernst & Young LLP, KPMG LLP, PwC LLP

80 audit engagement files

16 files with significant findings

CPAB inspected 80 (2017:86) audit engagement files across Deloitte LLP, Ernst & Young LLP, KPMG LLP, and PwC LLP and identified significant inspection findings in 16 (2017:6) of those files.

Two of the firms' inspections results were comparable to 2017.

The other two firms experienced an increase in findings. One firm is expanding its root cause analysis to determine if additional factors are impacting its audit quality and amending its action plan as required by CPAB. The other firm is developing a detailed action plan with both immediate and longer-term initiatives, including targeted communications of quality expectations to the partnership at large and a root cause analysis, to address these unacceptable results. All four firms must continue to focus on enhancing their quality management systems.

Remediation work has either been completed or is in process; there is one restatement to date. Where a restatement is required, the firm works with the reporting issuer and its securities legal counsel to effect the restatement as soon as possible – usually within the next quarterly reporting period.

It's important to note there were no changes to CPAB's file inspections processes in the 2018 review cycle.

BDO LLP, Grant Thornton LLP, MNP LLP, Raymond Chabot Grant Thornton LLP

23 audit engagement files

10 files with significant findings

In 2018, CPAB inspected 23 (2017:23) audit engagement files across the four other national/network firms. The number of significant findings was relatively stable at three firms but the prevalence of other inspection findings (while not significant, these findings indicate areas for improvement) indicate more work is needed to deliver consistent audit quality.

One firm continued to experience challenges; its action plan response to CPAB's 2017 inspection did not have the intended impact. We have required that firm to develop a revised action plan to remediate this decline in quality.

These four firms, which audit about one per cent of Canadian reporting issuers by market capitalization (approximately 670 public companies), accounted for 10 files with significant inspection findings (2017:6). There is one restatement to date.

Davidson & Company LLP, DMCL LLP, Manning Elliott LLP, RSM Canada LLP, Smythe LLP, UHY McGovern Hurley LLP

19 audit engagement files

8 files with significant findings

Three of the six large regional firms experienced an increase in significant inspection findings in 2018. CPAB inspected 19 (2017:19) engagement files and found significant inspection findings in eight files (2017:3).

It appears that quality initiatives implemented in response to previous inspections are having a positive impact at the three firms with stable or improved results. The other three firms need to do more to analyze the root causes of poorer quality and develop processes that ensure audit risks are appropriately identified and consistently managed across their public company audit practice.

These six firms audit less than one per cent of Canadian reporting issuers by market capitalization (approximately 950 public companies). There are no restatements to date.

Non-annual firms

18 audit engagement files

8 files with significant findings

As part of the 2018 inspection cycle CPAB inspected 18 non-annually inspected firms (2017:31 firms) and identified eight (2017:13) files with significant findings. There were three restatements.

CPAB has executed a tailored inspection methodology to better assess quality management systems at those non-annual firms with fewer than 25 reporting issuers. Common inspection findings and potential root causes of factors leading to poorer audit quality are incorporated into our risk analysis of these firms and the companies they audit. This facilitates proactive outreach to understand how the firms manage these risks and to discuss appropriate audit responses targeted at improving quality, along with strategic intervention through select file inspections.

2018 Inspections Scope

CPAB's risk-based methodology for choosing files (and the specific areas of those files) for inspection is not intended to select a representative sample of a firm's audit work. Instead, it is biased towards higher-risk audit areas of more complex public companies or areas where the audit firm may have less expertise, so there is a greater likelihood of encountering audit quality issues. Our inspections do not look at every aspect of every file and are not designed to identify areas where auditors met or exceeded standards. Results should not be extrapolated across the entire audit population, but instead viewed as an indication of how firms address their most challenging situations.

At December 31, 2018, 273 audit firms were registered as a Participating Audit Firm (PAF) with CPAB. Eighteen new firms registered (10 Canadian and eight foreign firms) and 31 voluntarily terminated their registration over the calendar year. Audit firms who voluntarily participate in the Protocol for Audit Firm Communications of CPAB Inspection Findings with Audit Committees (Protocol) share significant file-specific inspection findings with their clients' audit committees. 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. Twelve of the 14 annually inspected firms participate in the Protocol – a complete list is available at www.cpab-ccrc.ca.

The majority of CPAB's inspection findings in 2018 required the audit firm to carry out additional audit procedures to verify there was no need to restate the financial statements due to material error. The remaining findings required the audit firms to add considerable evidence to the audit file to show they had obtained sufficient and appropriate audit evidence with respect to a major balance sheet item or transaction stream. The results of carrying out additional audit procedures resulted in five restatements to date or four per cent of files inspected (2017:three restatements or two per cent of files inspected).

CPAB Discipline Overview

CPAB actively engages with firms throughout the inspections cycle to resolve issues as they arise during our reviews. Our Rules provide a robust framework of remediation and disciplinary mechanisms to address audit quality deficiencies at the firm and file levels. This allows us to respond quickly when we believe more work is required to support the audit opinion. For example, CPAB operates under the principle that, within 10 days of determining a file deficiency, we notify the firm; we then require their remediation plan within another 10 days. CPAB expects that firms will remediate file deficiencies before their reporting issuer's next quarterly report or next audit committee meeting.

If a firm fails to improve, CPAB has the authority to impose discipline at three levels: Requirement, Restriction and Sanction. This can include publicly naming a firm and restricting it from auditing public companies and helps to ensure that firms act quickly and appropriately to resolve deficiencies. Finally, where CPAB imposes a disciplinary action related to a defect in the firm's system of quality control, and the firm fails to address it to CPAB's satisfaction within a specified time period, the firm must notify the audit committees of all its reporting issuers. As a general rule, CPAB begins with imposing a Requirement for the first instance of disciplinary action:

- Requirements typically involve CPAB mandating the firm to take an action to make a change to its audit practices to improve audit quality. This will generally stay between CPAB and the firm, unless notification to the securities commissions is required otherwise by virtue of NI 52-108. If audit quality has not improved during a follow-up inspection with an audit firm with a Requirement on it, or if CPAB feels the performance of the firm and the severity of the lack of audit quality in the first instance requires so, CPAB would impose a Restriction.

- Restrictions characteristically involve CPAB limiting the audit firm's practice in some way, and CPAB will specifically notify the securities commissions of the Restriction, in addition to the notification that may be required otherwise under NI 52-108. If there is demonstrated continued lack of improvement of audit quality with an audit firm with discipline already in place, or if in the first instance there is demonstrated egregious behavior, CPAB would impose a Sanction.

- With the imposition of a Sanction, CPAB would severely limit the audit firm's practice and obligate the firm to notify the audit committees of its reporting issuer clients. CPAB would also notify the securities commissions.

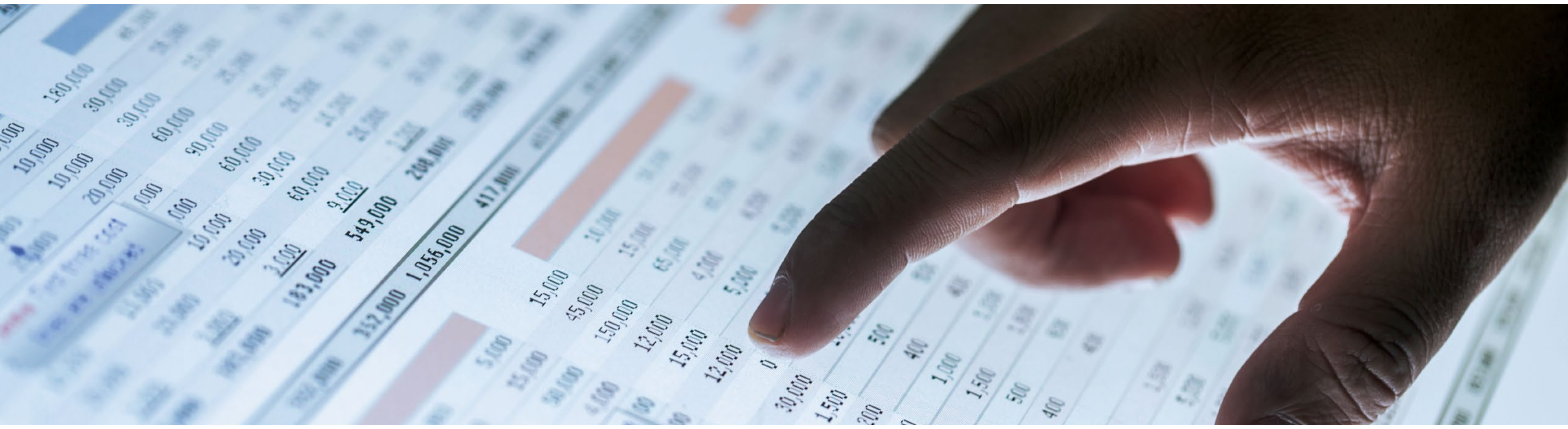
CPAB actively managed disciplinary actions in 2018 to address audit quality matters. As at December 31, 2018 there were Requirements on three firms (2017:6) and Restrictions on two firms (2017:4). In 2018 one firm was subject to Sanction and subsequently withdrew as a PAF.

Of the five firms operating with Requirements or Restrictions, CPAB has:

- Required certain firms to perform enhanced engagement quality control reviews or in-flight reviews.
- Required certain firms to undertake additional training for specific accounting or audit topics.
- Required certain firms to implement action plans to improve audit quality and consider hiring additional resources.
- Limited the acceptance of new reporting issuers for five firms.
- Applied a monetary assessment to certain other firms for the recovery of CPAB's cost of monitoring approved requirements.

A firm may petition for a review proceeding in the following three scenarios: 1) when the board intends to make public the weaknesses, deficiencies and recommendations in the system of quality control, or deficiencies in specific engagements, not addressed or remedied to the satisfaction of the board; 2) when the board proposes to impose Requirements, Restrictions and Sanctions in the case of a Violation Event; 3) in connection with an application for membership not accepted by the board. Investigations may take place when the board considers that a Violation Event may have occurred, and it wishes to seek information and the cooperation of the firm with respect to such matters. A Violation Event is defined in CPAB's Rules as: (i) an act or omission in violation of CPAB's Rules or chartered professional accountant standards; (ii) a failure to supervise a person to prevent such violations, and the person has committed the act or omission; (iii) a failure to cooperate with the terms of an inspection or investigation; or (iv) a failure to comply with the terms of any Requirement, Restriction or Sanction imposed by CPAB.

No review proceedings or investigations were conducted in 2018.



Deficiencies related to auditing fair values in business combinations, impairment of assets and revenue recognition represented approximately half the significant findings in our 2018 inspections cycle. As in prior years, the other half were related to significant but non-complex account balances and transactions streams where basic audit procedures were either not performed (e.g. inventory counts not attended) or not performed appropriately (e.g. testing of inventory costing was insufficient).

Auditing fair values in business combinations

Acquired assets and liabilities must be recorded at their estimated fair values. In 2017 and 2018 a common inspection finding was insufficient work performed to assess the reasonableness of management's financial inputs and assumptions incorporated into the fair value estimate of assets acquired or liabilities assumed. Other examples of significant findings this year related to provisional estimates and arrangements outside the business combination.

Fair value estimates can be provisional at year end if management is still seeking information regarding the business combination. These amounts may be adjusted before the end of the measurement period in the following year if additional information improves the precision of the estimate. However, the auditor still must perform sufficient procedures to assure the provisional estimates are not materially misstated based on information available at year end. CPAB identified instances where minimal or no audit procedures were performed to understand how management made the estimate and what additional information might be required, or to assess the reasonableness of the underlying assumptions. As a result, the auditor would not have identified a material misstatement in the assets or liabilities acquired.

When negotiating an acquisition, the parties may also agree to settle previously existing arrangements or enter into new but separate arrangements. Careful consideration of the facts and circumstances is necessary to determine what agreements should be considered part of the business combination and what should be treated separately – failing to do so could result in a material misstatement in the assets and liabilities recognized. CPAB identified instances where the auditors did not have a sufficient understanding of the relationships between the parties to the transaction and the nature of the business arrangements to objectively assess whether the accounting was appropriate.

Impairment of assets

Assets are frequently tested for impairment to determine if they need to be written down to their recoverable amount. There are various acceptable methods for estimating this amount – the most common incorporates a projected discounted cash flow model. However, determining appropriate inputs to this model can be difficult. For example, the conditions that triggered the impairment test are often related to uncertainty about future value and cash flows.

In a number of cases, engagement teams accepted the inputs to management's cash flow model without sufficiently testing if those inputs were reasonable and supportable. It is a concern if auditors do not test the reasonability of the inputs and consider contradictory evidence of possible variations in the amount or timing of the cash flows or other factors (such as illiquidity) that a potential buyer would reflect in valuing the future cash flows. If inputs are not reasonable and an impairment loss should have been recognized the financial statements are misstated. Investor confidence could be compromised if the impairment is not recognized in the appropriate period.

Revenue recognition

A company that earns revenue from the construction of assets in accordance with a contract may recognize that revenue as the work progresses provided key elements can be reliably measured (e.g. total contract revenue, costs incurred, cost to complete and stage of completion). While understanding management's process for estimating these amounts is a critical first step, inquiry of management alone is not sufficient without corroborating evidence.

Engagement teams are often challenged to obtain sufficient audit evidence to support both the measurement and reliability of the key elements. This challenge increases when there are complicating factors like modifications to the contract without formal approval or outstanding claims against the customer for costs related to delays or specifications changes. Errors result in incorrectly recorded revenue, gross margins and earnings, and can significantly impact investors' evaluation of company performance.

Developing our people for the future of audit regulation

CPAB continued to build on its comprehensive, forward-thinking talent strategy to support the delivery of our strategic plan. Our people and their professional skills and experience are critical to our effectiveness as a regulator.

In 2018 we continued to support a learning culture. We invested in the team's continuous development, aligning opportunities with both career interests and important topics in audit including emerging issues and businesses, and changing standards.

Consistent with industry benchmarking, CPAB invested 2.5 per cent of the 2018 annual budget (3.6 per cent of payroll) in our people's continuing education, development and maintaining their professional qualifications and designations.

CPAB's low voluntary turnover rate continued in 2018. We leveraged the replacement and new positions that did arise to broaden and diversify our skill and experience base to align with current and anticipated needs such as broader expertise in quality management systems and technology.

Recognizing the importance of strategically managing our risk, we implemented a succession plan that we will continue to refine and keep active in alignment with our annual operating plan. The diversity of skills and competition for quality talent will only increase so we enhanced how we communicate our employer brand, bringing to life the important role our employees play in elevating audit quality in Canada and highlighting the appeal of CPAB as an employer and a destination for highly skilled professionals looking to take their career to the next level. We will continue to leverage this work internally and externally to support our employee engagement, employer of choice and recruitment efforts to build the next generation of leaders.

Sharing audit quality perspectives with stakeholders

To increase the dialogue about audit quality, in 2018 we continued to engage with audit committees. During the year we met with more than 200 public company directors across a range of industries and market capitalization. These meetings provided an opportunity for shared learnings and reinforced how important the contributions of the auditor, audit committee and management are to quality. In 2019 we will continue to meet regularly with audit committees, strengthening our existing relationships and expanding our engagement to those we have not yet met. We will also increase our focus on public company financial management and institutional investors.

As part of our annual Industry Forum series we held five sessions for audit committee members in Vancouver, Toronto and Montreal covering a variety of industries including mining, real estate and banking and insurance. Some sessions also included Chief Financial Officers from reporting issuers. These meetings provide a valuable opportunity for CPAB, audit committees and preparers to discuss current audit quality developments, and share industry-specific issues, insights and best practices. To supplement this work, we published summaries of these discussions. In 2019 we will increase the number of roundtables and events we arrange to bring stakeholders together to discuss audit quality developments and share best practices to accelerate improvements.

We continued to build on our work regarding audit quality indicators (AQIs), performed research into the audit risks of companies holding crypto-assets, and engaged with audit committees, management and auditors on comprehensive auditor reviews and audit committee communications.

In 2018 we wrapped up our two-year pilot on the use of AQIs, working with the directors and management of 19 public companies. CPAB believes that AQIs are a useful tool for audit committees to broaden and deepen the dialogue around audit quality. Accordingly, we support increased awareness, discussion and collaboration on AQIs to develop good practices. To help advance this effort, in 2018 we worked with CPA Canada and the Institute of Corporate Directors (ICD) to develop materials to support increased use of AQIs. CPAB also established an AQI network to support current and future AQI users. Through this network CPAB shares information about how companies are using AQIs with the wider audit community and provides a forum for members to connect with each other on their specific experiences and learnings. We will continue to encourage the use of AQIs and expand the AQI network in 2019.

In 2019 our thought leadership will focus on influencing and shaping current issues impacting audit quality, including emerging technologies and industries.

Influencing global audit quality

Many Canadian public companies have global operations. The quality of Canadian audits is affected by the consistency of audit quality around the world. Close coordination is essential to achieving an appropriate level of uniform quality across all jurisdictions.

CPAB will continue our commitment to influencing global audit quality as part of our 2019-21 strategic plan, including enhancing the ability to access audit work of Canadian reporting issuers performed in foreign jurisdictions, building on our international presence as an authoritative thought leader on audit quality matters, and collaborating with international regulators to establish methodologies to assess data analytics, artificial intelligence and other technological tools used by auditors.

CPAB is actively involved in issues related to auditing and audit policy internationally through our leadership in the International Forum of Independent Audit Regulators (IFIAR), an association of independent audit regulators from 55 jurisdictions. Brian Hunt, CPAB's CEO until March 1, 2018, has been IFIAR's Chair for a term from April 2017 to April 2019, steering the establishment of the organization's first board, three-year strategic plan and permanent staffing operation. CPAB is a leading member of the IFIAR board, chairs the Global Audit Quality Working Group, and contributes staff expertise to several other working groups. International leadership roles like these help CPAB drive changes to accelerate audit quality at home and abroad.

In 2018 CPAB hosted IFIAR's annual plenary meeting **Disruptive Enablers: The Future of the Audit** in Ottawa. More than 100 international delegates attended the meeting which focused on the ways technological innovation will shape the audit of tomorrow and leading practices in audit regulation.

Practicing good governance

Responsible corporate governance is critical to CPAB's regulatory oversight mandate and to protecting the public interest. This is reflected in our structure and operating practices.

The Board of Directors has overall responsibility for supervising the management of CPAB's activities and affairs. All Directors are appointed by the Council of Governors. The board's two standing committees – Risk and Audit, and Human Resources and Governance – actively support the board's oversight of CPAB. The Risk and Audit Committee assists the board in fulfilling its obligations and oversight responsibilities related to financial budgeting and reporting, the system of corporate controls and the external audit. It also provides guidance and oversees CPAB's activities and affairs related to risk management, including identifying and monitoring key risks and developing appropriate risk mitigation strategies. The Human Resources and Governance Committee reviews and makes recommendations to the board on matters of human resources, corporate governance, board composition and succession, the formation and membership of committees, the objectives, performance and compensation of CPAB's CEO and other officers, and the content and application of CPAB's Codes of Ethics. It also oversees the annual performance review of the board, the Chair, and committees, and provides guidance and oversight of CPAB's talent management strategies.

A Council of Governors has oversight responsibility for CPAB and appoints our Directors annually, as well as the Chair and Vice Chair of CPAB's board. The Council is composed of the Chair of the Canadian

Securities Administrators (CSA), the Chair of the Ontario Securities Commission, the Chair of the Autorité des marchés financiers, the Superintendent of Financial Institutions of Canada, a fifth Governor selected by the CSA, and a person selected by the other five Governors who is a professional accountant and has audit oversight regulatory experience. The Council carries out an annual assessment of CPAB's performance against our mandate in reliance upon our governance practices. The Provincial Audit Regulator Members (provincial audit regulators who oversee audit firms whose aggregate Canadian audit fee revenue from reporting issuers in a province is at least $7 million) and the Council of Governors vote on any proposed amendments to CPAB's By-Law, appoint CPAB's external auditor and receive our annual financial statements.

CPAB's Rules require the board to comprise a combination of professional accountant versus non-accountant experience and audit oversight regulation and regulatory experience. The Council of Governors ensures these requirements and criteria are met in appointing board members and seeks diversity of expertise and industry experience as well as geographical and gender representation. While CPAB is not subject to any legislative or legal obligations to set gender targets, the board takes gender representation into account in composing its membership and when filling executive positions. In 2018, four out of nine board members and four out of nine executive team members were women.

Nick Le Pan, Chair of the Board and Jocelyn Proteau, Vice Chair completed their terms in March 2019. Benita Warmbold became Chair and Sheryl Kennedy became Vice Chair effective March 18, 2019. Directors Kenneth Crump and Gary Porter completed their service in 2018 and two new director candidates will be approved by the Council of Governors in March 2019.

We take the matter of independence seriously and have policies and procedures to minimize even the perception of potential conflicts. The positions of Chair of the Board and CEO are separate, and the CEO is not a member of the board. Board members are independent and cannot have current positions or material relationships with audit firms regulated by CPAB. They must report any financial interests or other relationships that might affect or appear to affect their independence or objectivity, and do not receive any identifying information from management regarding participating firms or reporting issuers.

Our inspectors have significant technical auditing and accounting expertise, often gained at the large accounting firms. Due to the nature of the work inspectors do, CPAB has in place comprehensive disqualification requirements with respect to which firms or reporting issuers an inspector may inspect and when. We prohibit CPAB inspectors from reviewing audits performed by a firm with which they were previously associated as an employee or partner at any time during the ten preceding years. For a period of five years after joining CPAB, inspectors are also prohibited from participating in decision making that may have a material direct or indirect effect on such a firm.

The CEO is restricted from certain activities with respect to her former employer, a participating audit firm, in compliance with CPAB's Code of Ethics for Staff and Consultants.

CPAB's whistleblower hotline is available through our website to enable the anonymous reporting of matters related to CPAB, its employees, public accounting firms we inspect, or Canadian reporting issuers. The Ethics Hotline Whistleblower Policy protects any staff or consultant who reports through the hotline from retaliation.

Our communities matter

The health and well-being of our communities across the country matter to CPAB. Our people engage personally and professionally in a variety of activities that make our communities better places to live.

As part of our Community Matters program, in 2018 CPAB employees volunteered their time with locally-chosen charitable organizations.

For 2019, employees have chosen to support mental health awareness. This will involve volunteering and fundraising for national charitable organizations in this area, internal education regarding mental health issues, and fostering a healthy, safe and inclusive work environment.

Management’s Discussion and Analysis

Overview

CPAB is an independent, federally incorporated, not-for-profit corporation without share capital. Established in 2003, CPAB contributes to public confidence in the integrity of financial reporting of public companies in Canada through effective regulation and by promoting quality, independent auditing. National instrument 52-108 of the Canadian Securities Administrators requires that auditors of Canadian reporting issuers’ financial statements be registered and in good standing with CPAB.

Our core work combines annual assessments of firm quality management systems and risk-based audit file inspections either directly or in co-operation with other regulatory bodies in Canada and abroad.

This management’s discussion and analysis (MD&A), prepared as of February 14, 2019, is a review of CPAB’s operating results for the year ended December 31, 2018. It should be read in conjunction with the audited financial statements for the year ended December 31, 2018 and related notes which have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. It also includes the outlook for 2019, principal risks and uncertainties that could affect the organization and forward-looking information that describes CPAB’s budget, estimates and forecasts. Forward-looking information can be identified by use of the conditional, or forward-looking terminology, such as budgets, estimates, anticipates, will and should.

Forward-looking statements involve risks and uncertainty and reflect CPAB’s view at the date of this report. Forward-looking information is based on assumptions and estimates including the timing of recruiting, travel requirements that depend on the selection of files to be inspected and the extent of international travel for inspections of component auditors. Revenue has been assessed based on audit fees as reported by the participating firms, subject to CPAB internal review. Actual results may vary from the forward-looking information.

All amounts are expressed in Canadian dollars.

Operating Results

CPAB is committed to prudent fiscal management and innovation in how we deliver on our regulatory mandate. Our current operating environment is one of significant technological innovation and change, both for the audit firms we regulate and our effectiveness as a regulator. In response, CPAB will require additional investments in information technology applications and new skills training for staff.

Key financial data

(in $'000)	**For the year ended December 31, 2018**	For the year ended December 31, 2017
Total fees revenue	$ 16,750	$ 16,284
Investment income	120	65
Salaries and benefits	11,236	11,336
Other operational expenses	4,319	4,777
Excess of revenue over expenses	1,315	236
Cash and investment	7,886	6,951
Total assets	9,485	8,476
Total liabilities	1,848	2,154
Net assets	7,637	6,322

The excess of revenues over expenses in 2018 is due mainly to the increase in audit firm revenue and a slight decrease in travel costs and Directors' fees.

Revenues

CPAB derives its revenue from Canadian reporting issuers. Each year, CPAB invoices the registered audit firms which, in turn, bill their reporting issuer clients. The fee is designed to cover CPAB's annual operating costs and to provide a reasonable reserve for contingencies. In 2018 CPAB's fee rate was 2.0% (2017: 2.0%) of the audit fees Canadian and foreign participating firms charged their reporting issuer clients.

The exception to this fee requirement is for firms in certain foreign jurisdictions that have audit regulatory oversight bodies participating in an information-sharing agreement with CPAB. These reporting issuers are charged 0.2% (2017: 0.2%) of the firm's audit fees. CPAB has not changed the fee rate since 2010.

CPAB had fee revenue of $16.8 million in 2018, compared to $16.3 million in 2017. The 3.0% increase was due to an increase in audit revenues reported by participating audit firms.

CPAB will apply a new funding model for the financial year ending December 31, 2019. This model is based on the total audit fees billed to reporting issuers, with some limited exceptions.

CPAB remains committed to operating within the $16-$18 million budget necessary to implement its 2019-2021 strategic plan. The new funding model will be revenue neutral with a new rate of 1.22%. Reporting issuers with primarily domestic operations will see their CPAB fee decrease while those with a more international scope may see their fee increase.

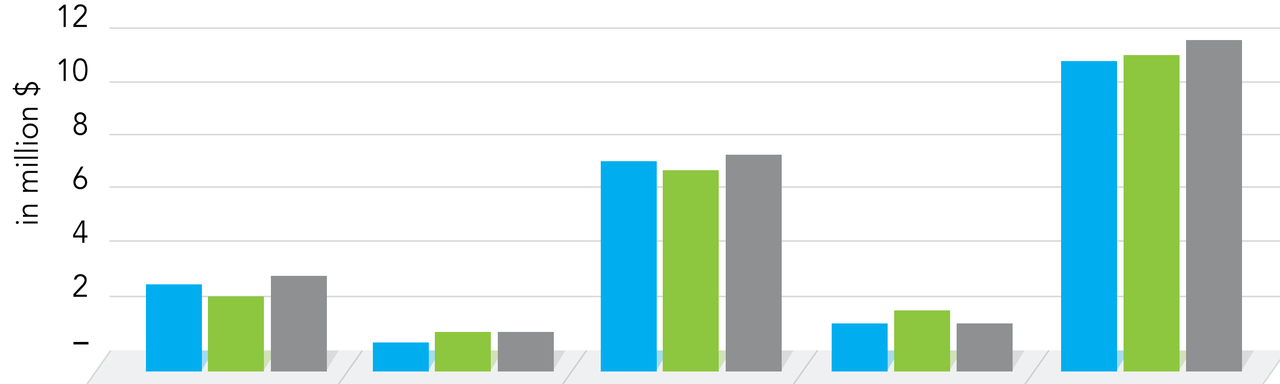
Operating expenses

In 2018, salaries and benefits for inspection and corporate staff continued to be CPAB's largest expense, totaling $11.2 million or 72% of 2018 total expenses of $15.6 million (2017: $11.3 million or 70%).

While CPAB anticipated a salary increase of 2.0% in 2018 compared to 2017, salaries and benefits remained stable compared to last year but decreased by 6.3% or $ 0.8 million compared to the 2018 budget.
CPAB experienced a longer recruiting period than anticipated in 2018, reducing our compensation costs.

The following tables show the evolution of CPAB's headcount over the last three years by executive, inspections, and corporate staff.

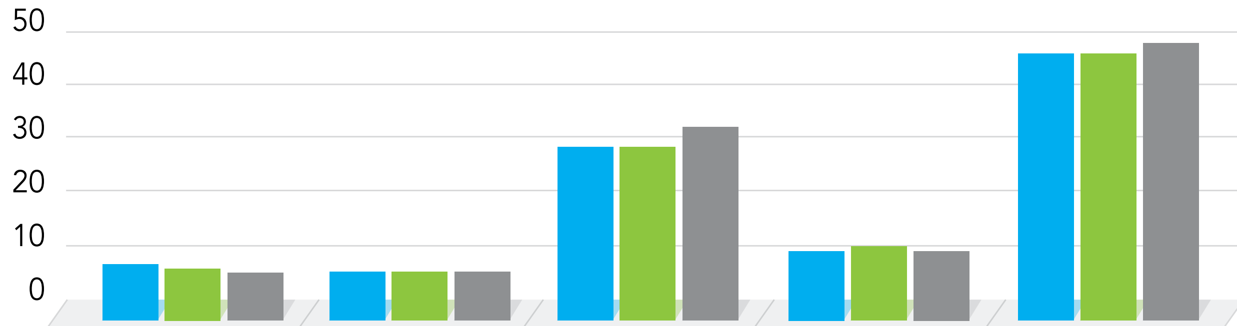
Salaries and benefits



	Executive Staff	Corporate Staff	Inspection Staff	Other Professional Staff	TOTAL
2018	2.8	0.4	6.8	1.2	11.2
2017*	2.7	0.6	6.6	1.6	11.5
2016	2.9	0.6	7.1	1.3	11.9

*Gross of $0.2 million paid for by IFIAR

Number of employees

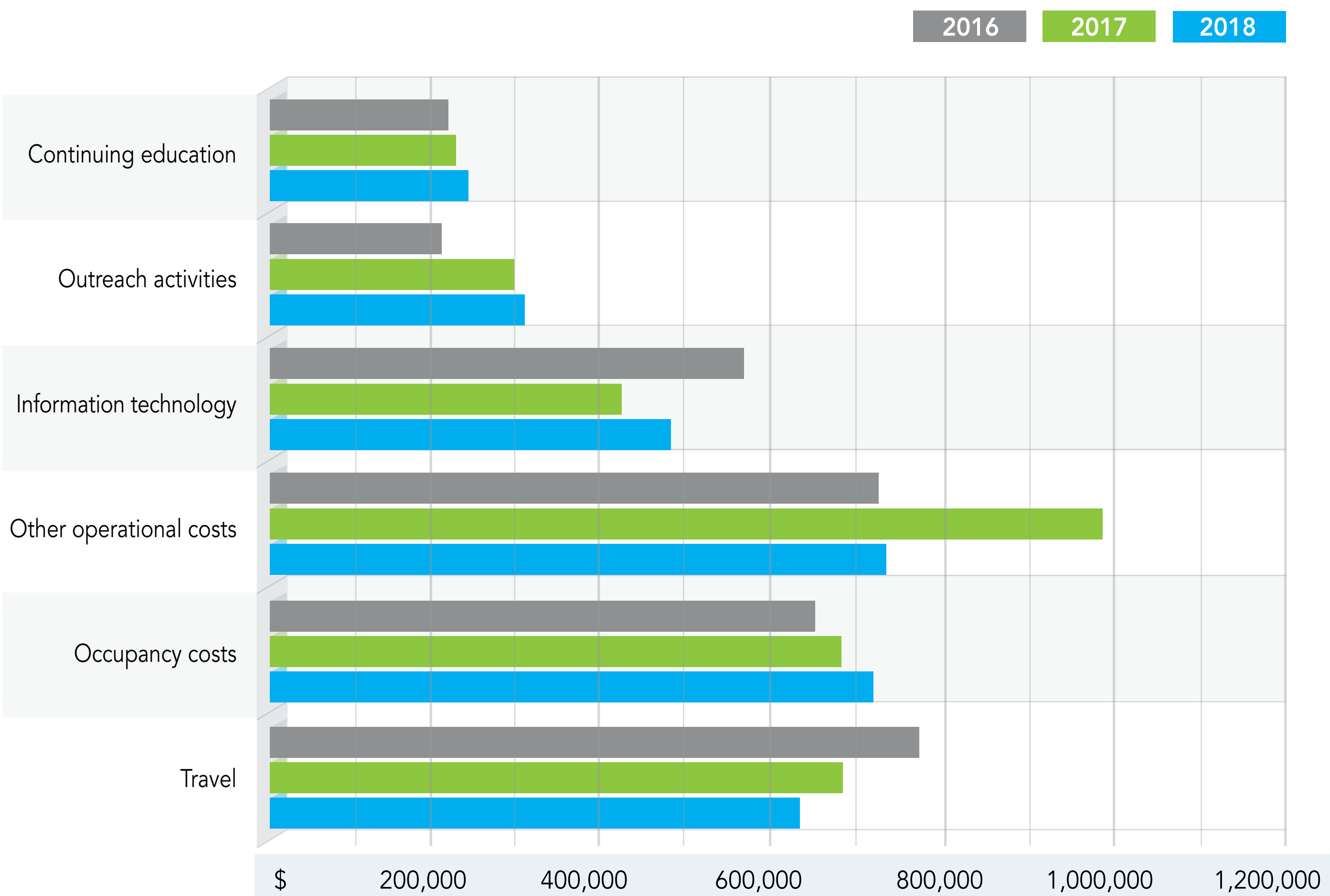


	Executive Staff	Corporate Staff	Inspection Staff	Other Professional Staff	TOTAL
2018	7	5	28	9	49
2017	6	5	28	10	49
2016	5	5	32	9	51

Overall, operating expenses amounted to $15.6 million (2017: $16.1 million), decreasing $0.5 million or 3.0% from 2017 mainly attributed to expiring terms of service for a number of Directors and decrease in our travel costs.

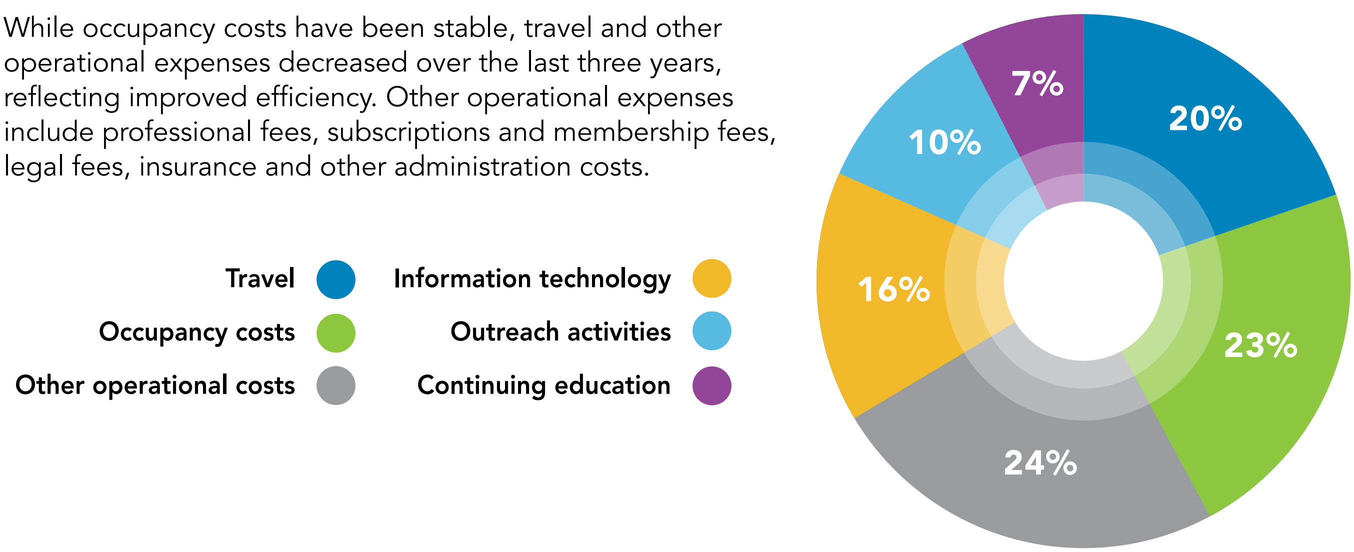
The following table shows the composition over the last three years of the operating expenses excluding salaries, Directors' fees and amortization.

Operating Expenses



Operating expenses decreased over the past two years with the exception of technology and continuing education which increased slightly and together represent 23% of total operating costs. CPAB expects these costs will increase as a percentage of the total over the next three years due to planned deployment of new technology.

While occupancy costs have been stable, travel and other operational expenses decreased over the last three years, reflecting improved efficiency. Other operational expenses include professional fees, subscriptions and membership fees, legal fees, insurance and other administration costs.



Financial position

The following table presents CPAB's condensed statement of financial position as at December 31, 2018 and December 31, 2017.

(in $'000)	2018	2017
Cash and investments	$ 7,886	$ 6,951
Account receivable and prepaid expenses	530	280
Accounts payable and accrued liabilities	(1,442)	(1,692)
Net working capital	**$ 6,974**	**$ 5,539**
Property and equipment	1,069	1,245
Unamortized tenant inducements	(406)	(463)
NET ASSETS	**$ 7,637**	**$ 6,321**

At December 31, 2018 CPAB had a working capital position of approximately $6.9 million (2017: $5.5 million). CPAB has established a guideline for an appropriate reserve of approximately four to six months of operational costs; this would be used to ensure business continuity should there be fluctuations in revenue, and to maintain consistency in the Annual Participation fee.

The increase in working capital is mainly attributable to the operating activities and the excess of revenue over expenses that generated a positive cash flow in 2018 of $1 million (2017: negative of $0.1 million).

CPAB's investment policy requires that excess cash, held from time to time, be invested in accordance with sound investment management principles. At all times, investments are made based on the requirements of safety, yield and appropriate liquidity. Investments may be made in short-term government of Canada treasury bills, Canadian Chartered Bank Term notes and top-rated Certificates of Deposit, with maturities of up to one year.

Segmented information

Comparative segmented information has been adjusted to reflect the current presentation. Outreach activity including thought leadership and stakeholder engagement has been regrouped with registration, legal and enterprise risk management as other regulatory activities. Previously these were not allocated and considered as general expenses.

Our core operations are organized into three segments:

- **Inspections:** Costs related to our inspection program of all participating firms.
- **Other regulatory activities:** Costs indirectly related to CPAB's oversight program to improve audit quality. Includes stakeholder engagement initiatives, thought leadership projects, enterprise risk management program, registration, legal, and communication costs.
- **International:** Costs related to our leadership in the International Forum of Audit Regulators (IFIAR) and other international audit quality work.

Except for payroll costs that are allocated based on a best estimate of time spent, the cost allocation among segments is based on actual expenses. For purposes of segmented information management groups certain costs for analysis which may not tie directly to the income statement. Costs that cannot be allocated to a specific segment are considered general expenses. These costs mainly relate to governance, finance and the corporate team.

Expenses by Segment

(in $'000)	Inspections		Other Regulatory		International		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Human capital								
Salaries and related costs*	$8,757	$9,132	$1,675	$1,629	$265	$262	$10,697	$11,023
Travel expenses	300	377	49	44	148	147	497	568
Outreach activities								
Stakeholder engagement	–	–	84	62	–	–	84	62
Thought leadership	–	–	98	61	–	–	98	61
Symposium	–	–	–	176	–	–	–	176
IFIAR meetings	–	–	–	–	124	60	124	60
Operational costs								
General	136	145	93	79	82	85	311	309
Information technology	487	432					487	432
Total operational expenses	**$9,680**	**$10,086**	**$1,999**	**$2,051**	**$619**	**$554**	**$12,298**	**$12,691**
General costs								
Salaries and related costs*							868	841
Travel							121	93
General							336	328
Occupancy							717	708
Amortization							326	362
Directors' fees and expenses							889	1,090
Total expenses							**$15,555**	**$16,113**

*Salaries and related costs include salaries and benefits, continuing education and recruitment fees

Outlook for 2019

2019 marks the first year of CPAB's new three-year strategic plan. CPAB remains committed to managing its finances efficiently while focusing on developing its people and investing in IT resources and technology. We will continue to participate in discussions related to audit quality and audit policy domestically and internationally, including through our leadership at IFIAR. Specific initiatives and planned actions are outlined in CPAB's strategic plan accessible at **www.cpab-ccrc.ca** and in other parts of this report.

2019 CPAB OPERATING BUDGET (UNAUDITED)

YEAR ENDED DECEMBER 31 (in $'000)	2018 ACTUAL	2018 BUDGET	2019 BUDGET
REVENUE			
Fees	$ 16,750	$ 16,560	$ 16,494
Interest income	120	60	100
	16,870	**16,620**	**16,594**
EXPENSES			
Salaries and benefits	11,236	11,997	12,070
Directors' fees and expenses	889	930	866
Travel	618	849	767
Occupancy costs	716	742	749
Administrative and general	352	381	365
Information technology	487	560	621
Outreach activities	308	301	273
Continuing education	238	240	280
Insurance	143	143	143
Professional services	152	193	220
Legal services	91	80	85
Amortization of property and equipment	325	385	320
	15,555	**16,801**	**16,759**
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	**$ 1,315**	**$ (181)**	**$ (165)**

Commentary on the 2019 operating budget

For 2019, revenues (which cover operating expenses) are budgeted at $16.6 million, compared to actual and budgeted revenues of $16.8 million and $16.6 million respectively in 2018. Revenues are estimated using the new fee model at a rate of 1.22% of the audit fees as published on SEDAR. In 2018 CPAB's base fee rate was 2.0% of the audit fees Canadian and foreign participating firms charged their reporting issuer clients.

CPAB's operating expenses for 2019 have been budgeted at $16.8 million. This amount represents an 8% increase in our operating expenses compared to the 2018 actual operating expenses. In 2019, CPAB will continue investing in the development of our employees and technology and hiring additional resources where necessary. There are no other significant changes in expenses in the 2019 budget relative to 2018 actual and budgeted expenses.

CPAB anticipates capital expenditures of approximately $1 million over the next three years focused mainly on information technology infrastructure upgrades, communication tools enhancements, and certain leasehold improvements.

Director and executive compensation

CPAB endeavors to offer executive compensation that is comparable to organizations of similar mandate, size and complexity. Each year, CPAB evaluates the market by reviewing compensation surveys conducted by the Chartered Professional Accountants of Canada and the Toronto Board of Trade. In addition, CPAB participates in and subscribes to Mercer Canada's Professional Services Industry Compensation Survey. CPAB also monitors public comparative information provided by provincial securities regulators. Taken together, these practices support our efforts to ensure that compensation continues to be comparable and competitive.

Executive compensation in 2018, which includes all amounts paid to the CEO, Senior Vice President, Audit Firm Regulation, Chief Risk Officer, Chief Financial Officer and Regional Vice President Eastern Canada, Chief Talent Officer, Vice President, Inspections and Regional Vice President Western Canada totaled $2.8 million (2017: $2.7 million). This includes salaries, accrued bonuses, registered retirement savings plan contributions and benefits paid by CPAB on behalf of staff.

2018 director compensation included fees of $0.9 million (2017: $1.1 million). These fees included a $175,000 annual retainer for the board Chair, $48,000 annual retainers for each of the other board members and an additional $4,500 for each committee Chair. Meeting attendance fees were $1,500 for each board and committee meeting. The board Chair does not receive meeting attendance fees.

The board met five times in person and via one conference call in 2018 (2017: 8 total meetings). All board members attended every meeting as well as CPAB's strategic planning session in September.

Principal risks and uncertainties

CPAB's most important assets are its people and its reputation as an effective regulator. Significant risks include economic, human capital, technological and legislative forces that could have a material impact on CPAB's mandate and critical success factors.

Current economic uncertainties increase the risks associated with reporting issuer failures in corporate governance, financial reporting and audits. These could create a consequent risk of loss of confidence in CPAB. The organization manages its risk through a rigorous enterprise risk management (ERM) program led by our Chief Risk Officer; this program supports the allocation of resources and focus of our inspection and regulatory programs. In 2019 we will enhance our ERM program by also focusing on monitoring and tracking activities taken to address our strategic risks and building strong connections with risk management professionals across other organizations.

Human capital risks include challenges in attracting qualified personnel. CPAB manages this risk by actively working to be an attractive career destination for highly qualified professionals.

From a technology perspective, data security is an overarching consideration. Central to CPAB's ability to fulfill its mandate are: database design, management and security; development of and support for the participating firms registration information system, and connectivity to support our websites and other services used by remote users. CPAB manages this risk in various ways including, but not limited to: appropriate firewalls; regularly engaging third parties to perform ethical hack and security assessments on CPAB's infrastructure and application controls; use of hard-drive encryption and GPS tracking tools on all laptops and smartphone devices; monitoring all sites to ensure maximum uptime; managing laptops and servers through the use of systems to ensure all critical patches are deployed weekly, and maintaining offsite Disaster Recovery and Backup facilities.

Our risks include the impact of legislation that may not support CPAB in meeting its mandate. CPAB is continuing to pursue legislative change in a few jurisdictions to support its work as an independent audit regulator.

CPAB constantly works to mitigate risk. In 2018 the organization further enhanced its risk assessment capabilities and continues to use a robust risk analysis process to identify higher-risk audit firms and audit engagements. CPAB's risk management plan, including crisis and business recovery plans, addresses all aspects of its operations. The Board of Directors oversees this plan, which is also actively reviewed by the Risk and Audit Committee of the board. CPAB proactively reviews and updates the plan annually. Based on the risks identified, CPAB develops and implements mitigation strategies.

Financial Statements

For the years ended December 31, 2018 and 2017

Statement of Management's Responsibility

The annual financial statements and all financial and other information contained in this annual report are the responsibility of the management of CPAB.

Management has prepared the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, applying best estimates and judgments based on currently available information. The significant accounting policies are described in Note 2 to the financial statements. Financial information contained in this report is consistent with that shown in the financial statements.

Management is responsible for the integrity and reliability of financial information and has established systems of internal procedural and accounting controls designed to achieve this. These systems also reasonably ensure that assets are safeguarded from loss or unauthorized use.

The board of directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The board has created a Risk and Audit Committee to assist with these responsibilities. The Risk and Audit Committee met with the auditors, both with and without management present, to review the activities of each, as well as to review the financial statements.

Fuller Landau LLP has been appointed by the Provincial Audit Regulator Members as CPAB's auditors to express their opinion on the fair presentation of the financial statements. Fuller Landau LLP has had full and unrestricted access to the board of directors and management to discuss matters pertaining to their audit. The Risk and Audit Committee undertakes annually a formal review of the auditor's performance and makes a recommendation to the board of directors, which in turn makes a recommendation to the Provincial Audit Regulator Members, with respect to their reappointment for the coming year.

Carol Paradine

Carol Paradine, CPA, CA
Chief Executive Officer

Philippe Thieren

Philippe Thieren, CPA, CA
Chief Financial Officer

Independent Auditors' Report

To the Members of Canadian Public Accountability Board/ Conseil canadien sur la reddition de comptes

Opinion
We have audited the financial statements of **Canadian Public Accountability Board/Conseil canadien sur la reddition de comptes**, which comprise the statement of financial position as at December 31, 2018, and the statements of changes in net assets, operations, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the **Canadian Public Accountability Board/Conseil canadien sur la reddition de comptes** as at December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-For-Profit Organizations.

Basis for Opinion
We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian Accounting Standards for Not-For-Profit Organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered

material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the organization to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Fuller Landau LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
February 14, 2019

STATEMENT OF FINANCIAL POSITION

As at December 31

	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	$ 2,757,005	$ 2,639,828
Investments (note 4)	5,129,380	4,311,362
Accounts receivable (note 5)	132,649	91,445
Prepaid expenses	396,689	188,486
	8,415,723	7,231,121
Property and equipment (note 6)	1,069,545	1,244,872
	$ 9,485,268	$ 8,475,993
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	$ 1,442,303	$ 1,691,612
Unamortized tenant inducements	406,107	462,830
	1,848,410	2,154,442
NET ASSETS		
Invested in property and equipment	1,069,545	1,244,872
Unrestricted	6,567,313	5,076,679
	7,636,858	6,321,551
	$ 9,485,268	$ 8,475,993

See accompanying notes.

Approved on behalf of the Board:

______________________, Director
Nicholas Le Pan, Chair

______________________ , Director
Bruce Jenkins, FCPA, FCA

STATEMENT OF CHANGES IN NET ASSETS

For the years ended December 31

			2018	2017
	Invested in property and equipment	*Unrestricted*	*Total*	*Total*
Net assets, beginning of year:	$ 1,244,872	$ 5,076,679	$ 6,321,551	$ 6,085,308
Excess of revenue over expenses for the year	-	1,315,307	1,315,307	236,243
Purchase of property and equipment	150,200	(150,200)	-	-
Amortization of property and equipment	(325,527)	325,527	-	-
Net assets, end of year	$ 1,069,545	$ 6,567,313	$ 7,636,858	$ 6,321,551

See accompanying notes.

STATEMENT OF OPERATIONS

For the years ended December 31

	2018	2017
REVENUE		
Fees (note 8)	$ 16,750,237	$ 16,283,940
Investment income	119,687	65,111
	16,869,924	16,349,051
EXPENSES		
Salaries and benefits	11,235,567	11,336,265
Directors' fees and expenses	888,561	1,089,894
Travel	618,127	671,335
Occupancy costs	716,506	708,156
Administrative and general	351,636	422,025
Information technology	487,120	432,407
Outreach activities	308,180	297,149
Continuing education	237,928	226,848
Insurance	142,634	142,634
Professional services	152,014	354,020
Legal services	90,817	70,184
Amortization of property and equipment	325,527	361,891
	15,554,617	16,112,808
EXCESS OF REVENUE OVER EXPENSES	$ 1,315,307	$ 236,243

See accompanying notes.

STATEMENT OF CASH FLOWS

For the years ended December 31

	2018	2017
OPERATING ACTIVITIES		
Excess of revenue over expenses	$ 1,315,307	$ 236,243
Tenant cash inducements	-	114,900
Add back (deduct) non cash items:		
Gain on sale of property and equipment	-	(3,175)
Amortization of property and equipment	325,527	361,891
Amortization of tenant inducements	(56,723)	(37,573)
Net change in non-cash working capital items (note 10)	(516,734)	(805,025)
Cash generated from (used in) operations	**$ 1,067,377**	**$ (132,739)**
INVESTING ACTIVITIES		
Purchase of short-term investments	(13,400,000)	(13,800,000)
Redemption of short-term investments	12,600,000	14,500,000
Sale of property and equipment	-	3,175
Purchase of property and equipment	(150,200)	(298,178)
Cash (used in) generated from investing activities	**$ (950,200)**	**$ 404,997**
Cash and cash equivalents generated in the year	**$ 117,177**	**$ 272,258**
Cash and cash equivalents, beginning of year	2,639,828	2,367,570
Cash and cash equivalents, end of year	**$ 2,757,005**	**$ 2,639,828**
Additional information		
Interests received	73,196	22,146

See accompanying notes.

1 THE ORGANIZATION

The Canadian Public Accountability Board/Conseil canadien sur la reddition de comptes (CPAB) is a corporation without share capital incorporated under the *Canada Corporations Act*. CPAB is exempt from income tax in Canada as a not-for-profit organization under Section 149(1)(L) of the *Income Tax Act (Canada).*

CPAB contributes to public confidence in the integrity of financial reporting of reporting issuers in Canada by effective regulation and promoting quality, independent auditing. CPAB carries out its mandate by conducting inspections of the firms subject to its oversight, either directly or in co-operation with other regulatory bodies in Canada and abroad. It also undertakes other activities to support its mandate including commenting on accounting and auditing standards most important to audit quality, participating in international activities related to enhancing audit quality, publishing thought leadership for the audit industry, and engaging with key stakeholders including audit committees, public company financial management, other regulators and institutional investors.

2 SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. These financial statements are presented in Canadian dollars which is also the functional currency of the organization. The most significant accounting policies are as follows:

Cash and cash equivalents
Cash and cash equivalents consist of cash and guaranteed investment certificates, with maturities not exceeding 90 days, with insignificant risk of changes in value.

Revenue recognition
CPAB charges two types of fees to public accounting firms: an Intent to Participate fee that is collected from public accounting firms on their initial application to become participating audit firms, and an Annual Participation fee that is collected from participating audit firms. All fees are established to recover CPAB's costs and to provide working capital for contingency purposes.

The Intent to Participate fee is a flat fee based on the number of reporting issuer clients of the applicant firm at the date of registration. Intent to Participate fees are recorded in the accounting period in which the firm is registered, and fees are received.

The Annual Participation fee is based on audit fees paid by participating audit firm's reporting issuer clients. This fee is billed annually and recognized as revenue in the year to which it relates. The fee for 2018 was set at 2.0% (2017: 2.0%) of the audit fees charged by each participating firm to its reporting issuer clients or a minimum of $1,000. Firms in certain foreign jurisdictions are charged a rate of 0.2%.

In certain circumstances, CPAB charges additional fees to participating audit firms to recover costs incurred to monitor those firms. These fees are included in other fees and are recognized in the accounting period in which the work is performed.

Property and equipment
Property and equipment is recorded at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful lives of the assets commencing on the date when the assets are placed into service.

The estimated useful lives are as follows:

Office equipment and furniture	3 - 10 years
IT infrastructure and networks	4 - 5 years
Computer software	3 years
Computing equipment	2 years
Leasehold improvements	Over the life of the lease

Investments
Investments are purchased for redemption in the near term and are accounted for at fair value. Realized and unrealized gains and losses are recognized as investment income when they arise. Transaction costs are expensed as incurred.

Leases
All of CPAB's leases are operating leases. Benefit tenant inducements received at the inception of a lease are deferred and recognized on a straight-line basis over the term of the lease.

Use of estimates
The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the year. CPAB has not made any significant estimates or assumptions in these financial statements.

3 FINANCIAL INSTRUMENTS AND RISKS

CPAB's financial assets include cash and fixed income guaranteed investment certificates (GICs) with major Canadian chartered banks. The cost of the GICs, plus accrued interest income, approximates their fair value. Other financial assets and liabilities are carried at cost, which approximates their fair value due to their short-term nature.

It is management's opinion that CPAB is not exposed to significant interest, currency or credit risks.

4 INVESTMENTS

Investments consist of fixed income GICs with maturities exceeding 90 days. GICs maturing within 12 months from the year end date are classified as current.

	2018	2017
GICs	$ 5,100,000	$ 4,300,000
Accrued interest	29,380	11,362
	$ 5,129,380	$ 4,311,362

GICs have interest rates of 1.2% to 1.95% (2017: 0.70% to 1.2%).

5 ACCOUNTS RECEIVABLE

The accounts receivable as of December 31 are as follows:

	2018	2017
Trade accounts receivable	$ 85,181	$ 49,936
Sales tax recoverable	47,468	41,509
	$ 132,649	$ 91,445

6 PROPERTY AND EQUIPMENT

Property and equipment, recorded at cost, is as follows:

	Cost	Accumulated Amortization	2018 Net	2017 Net
Office equipment and furniture	$ 765,674	$ (662,919)	$ 102,755	$ 97,654
IT infrastructure and networks	2,234,704	(1,921,143)	313,561	357,262
Computer software	277,044	(250,320)	26,724	37,797
Computing equipment	180,709	(171,217)	9,492	34,881
	3,458,131	(3,005,599)	452,532	527,594
Leasehold improvements	1,827,270	(1,210,257)	617,013	717,278
	$ 5,285,401	$ (4,215,856)	$ 1,069,545	$ 1,244,872

7 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The accounts payable and accrued liabilities as of December 31 are as follows:

	2018	2017
Trade accounts payable	$ 84,001	$ 13,789
Salaries and bonuses	1,305,931	1,616,533
Other accrued liabilities	52,371	61,290
	$ 1,442,303	$ 1,691,612

8 FEES

	2018	2017
Annual participation fees	$ 16,642,862	$ 16,192,740
Intent to participate fees	39,000	25,000
Other fees	68,375	66,200
	$ 16,750,237	$ 16,283,940

9 BANK CREDIT FACILITY

CPAB has a bank Credit Facility of $2,000,000 bearing interest at bank prime. Amounts owing under the Credit Facility are payable on demand. No assets have been pledged by CPAB as collateral for the Credit Facility and no charges are incurred until the facility is drawn down. At December 31, 2018 and 2017 the amount owing under the Credit Facility was $nil.

10 CASH FLOWS

Changes in non-cash working capital items are detailed as follows:

	2018	2017
Accounts receivable	$ (35,245)	$ (21,116)
Accrued interest	(18,018)	(3,576)
Sales tax recoverable	(5,959)	3,565
Prepaid expenses	(208,203)	(4,613)
Accounts payable and accrued liabilities	(249,309)	(779,285)
	$ (516,734)	$ (805,025)

11 COMMITMENTS

Commencing January 2017, CPAB entered into a lease for office space in Vancouver. The lease is for a term of ten years four months and the annual expense is approximately $84,000.

In February 2013, CPAB entered into an 11-year six-month lease for its Toronto head office. There are no asset retirement obligations associated with the lease. The annual rent expense is approximately $255,000 for the term of the lease. CPAB's share of the building's operating costs is estimated to be $287,000 per annum.

In 2013, CPAB also entered into a lease for office space in Montreal. The lease in Montreal is for a term of 72 months and the annual expense is approximately $67,000.

CPAB's lease commitments are as follows:

Within one year	$ 702,931
From one to five years	3,108,446
Over five years	230,037
	$ 4,041,414

12 COMPARATIVE FIGURES

Comparative figures have been adjusted to comply with the current year presentation. Information technology expenses previously disclosed under administrative and general expenses have been presented as a separate line item in the statement of operations.

Corporate Information

CPAB Executive

Carol Paradine
Chief Executive Officer

Carol joined CPAB in March 2018. Prior to that she was a managing partner at Deloitte LLP, specializing in assurance services for public companies and leading partner development and succession.

M. Jane Williamson
Senior Vice President, Audit Firm Regulation

Jane joined CPAB in March 2013. Prior to that she was a VP in the Finance Group with Fairfax Financial Holdings Limited, and financial services assurance partner with PwC LLP.

David Doull
Chief Talent Officer

Before joining CPAB in October 2018, David held senior human resources roles at Dream Unlimited Corporation, DundeeWealth Inc., and Husky Injection Molding Systems Ltd.

Malcolm Gilmour
Vice President, Inspections

Malcolm joined CPAB in May 2008. Prior to joining CPAB, Malcolm was an associate partner at Deloitte LLP with responsibilities related to quality assurance.

Kristina Heese
General Counsel & Corporate Secretary

Kristina joined CPAB in 2011 as Legal Counsel and became General Counsel & Corporate Secretary in 2015. Prior to joining CPAB she spent five years with Stikeman Elliott LLP in corporate M&A, followed by one year with the legal department at Deloitte LLP.

Adrienne Jackson
Senior Director, Communications

Adrienne joined CPAB in 2013. Before that she directed strategic communications at KPMG LLP, Bayer Inc., and The Scarborough Hospital.

Jeremy Justin
Chief Risk Officer and Vice President, Strategy

Jeremy joined CPAB in March 2009. Before joining CPAB, he was a senior manager with Deloitte LLP.

Michael Pacholek
Regional Vice President Western Canada

Mike joined CPAB in January 2017. Before joining CPAB, he was an assurance partner with PwC LLP in Vancouver.

M. Philippe Thieren
Regional Vice President Eastern Canada and CFO

Philippe joined CPAB in February 2016. Before joining CPAB, he was an audit partner with PwC LLP specializing in financial institutions, P&C and life insurance industries.

CPAB Board

Nicholas Le Pan, Chair
Ottawa, Ontario

Former Superintendent of Financial Institutions, Office of the Superintendent of Financial Institutions.

Jocelyn Proteau, Vice Chair [2]
Montreal, Quebec

Chair, Board of BTB Real Estate Investment Trust; Chair, Board of Richelieu Hardware Inc.; Director, CO2 Solutions Inc., Familiprix Inc., Former Chair, Standard Life of Canada and, Former Chair and CEO Federation des Caisses Desjardins de Montreal-et-de-l'Ouest-du-Quebec.

Ian Bourne[2]
Calgary, Alberta

Retired CFO (24 years in large public and private companies); Director of eight companies including Chair of three Boards and 10 Committees (Audit, Human Resources, Governance).

Julie Dickson[1]
Ottawa, Ontario

Former Superintendent of Financial Institutions of Canada; former member of the Financial Stability Board in Basel, Switzerland; former Director of the Canada Deposit Insurance Corporation, Toronto Leadership Center; former member of the Basel Committee on Banking Supervision; member of the Dubai Financial Services Authority Board and Global Risk Institute Board.

Guy Fréchette[1]
Montreal, Quebec

Corporate Director; former Vice Chair, Executive Committee member, and Managing Partner for the province of Quebec, Ernst & Young LLP.

Bruce C. Jenkins[1]
Toronto, Ontario

Former Deputy Chief Executive, Deloitte & Touche (Canada); former Director, CPA Canada; former Chair, CPA Ontario.

Sheryl Kennedy[1]
Toronto, Ontario

Chair, Promontory Financial Group Canada, an IBM Company; former Deputy Governor of the Bank of Canada.

Alice Laberge[2]
Vancouver, British Columbia

Director, Royal Bank of Canada, Nutrien Ltd., Russel Metals Inc., BC Cancer Foundation; former President and Chief Executive Officer, Fincentric Corporation.

Benita M. Warmbold[2]
Toronto, Ontario

Former Senior Managing Director and CFO, Canada Pension Plan Investment Board; Director, Chair-Audit, Finance and Risk Committee, Methanex Corporation; Director, Chair-Audit Committee, SNC-Lavalin Corporation; Director, Scotiabank; Director, Chair-Audit Committee, Crestone Peak Resources; Director, Women's College Hospital; Director, Queen's University Board of Trustees.

1 Member of the Risk and Audit Committee

2 Member of the Human Resources and Governance Committee

Auditor

Fuller Landau LLP
151 Bloor Street West 12th Floor
Toronto, Ontario M5S 1S4

Corporate Counsel

Stikeman Elliott LLP
5300 Commerce Court West
199 Bay Street Toronto, Ontario M5L 1B9

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CPAB's 2018 annual report and public inspections reports, detailed information on the Protocol, and thought leadership publications are available at **www.cpab-ccrc.ca**.

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CONTACT INFORMATION

General Inquiries

Phone: (416) 913-8260
Toll Free:1-877-520-8260
Fax: (416) 850-9235
Email: info@cpab-ccrc.ca
www.cpab-ccrc.ca

Central Canada

150 York Street
Suite 900
Toronto, Ontario
M5H 3S5 Canada
Phone: (416) 913-8260

Eastern Canada

1155 René-Lévesque
Boulevard West, Suite 2916
Montréal, Québec
H3B 2L3 Canada
Phone: (514) 807-9267

Western Canada

510 Burrard Street
Suite 1080
Vancouver, British Columbia
V6C 3A8 Canada
Phone: (604) 630-8260

CANADIAN PUBLIC ACCOUNTABILITY BOARD
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www.cpab-ccrc.ca / Email: info@cpab-ccrc.ca