

## Regulator releases annual report on audits of Canadian reporting issuers

TORONTO, March 27, 2020 – The Canadian Public Accountability Board’s (CPAB) annual audit quality insights report released today notes an overall increase in significant findings (33 per cent versus 30 per cent in 2018) in the audits of the 35 public accounting firms it inspected in 2019; 18, or 38 per cent, of the total findings occurred in audits of public companies in the crypto and cannabis sectors. Total findings decreased from 28 to 27 per cent across the 14 public accounting firms CPAB inspects annually. CPAB’s 2019 inspections resulted in two restatements of public company financial statements.

CPAB’s inspections are biased towards higher-risk audit areas of more complex public companies or areas where the audit firm may have less expertise; in 2019 the regulator intentionally chose to inspect audits in emerging industries or in sectors implementing new audit or accounting standards.

“Emerging industries have created challenges for auditors – from how to value biological assets to information technology complexities associated with the crypto sector,” said Carol Paradine, CEO, CPAB. “CPAB’s **Auditing in the crypto-asset sector** outlines common challenges auditors face in this area.”

CPAB also conducts firmwide quality management systems evaluations. The report notes the country’s four largest public accounting firms (Deloitte, EY, KPMG, PwC) improved their audit quality management systems over 2018.

“Strong, centralized quality management systems help firms deliver more consistent quality audits,” said Paradine. “We have seen improvements compared to last year; however, in many cases our file-related findings continue to indicate deficiencies in these systems.”

CPAB made progress in gaining access to audit work in foreign jurisdictions. The Canadian Securities Administrators’ proposed amendments will enhance CPAB’s access and better protect the interests of Canada’s investing public.

All firms that audit a Canadian public company must register with CPAB and be inspected (267 firms at December 31, 2019). Each firm participating in the Protocol for Audit Firm Communication of CPAB Inspection Findings with Audit Committees (Protocol) shares their file-specific significant findings and this report with the reporting issuers’ audit committees. CPAB encourages audit committees to discuss this report and any file-specific findings with their auditor.

CPAB’s Audit Quality Insights Report: 2019 Annual Inspections Results is available at [www.cpab-ccrc.ca](http://www.cpab-ccrc.ca).

### About CPAB

CPAB is Canada’s public company audit firm regulator. CPAB reinforces public confidence in the integrity of financial reporting and is committed to protecting Canada’s investing public. CPAB promotes sustainable audit quality through proactive regulation, dialogue with domestic and international stakeholders, and practicable insights to inform capital market participants. CPAB has offices in Montreal, Toronto and Vancouver.