

Canadian roundtable on audit quality addresses current state and emerging risks

Toronto – October 30, 2023 – On October 26th, the Canadian Public Accountability Board (CPAB), the Office of the Superintendent of Financial Institutions (OSFI) and the Canadian Securities Administrators (CSA) co-hosted the Canadian Audit Quality Roundtable in Toronto.

The annual Roundtable, now in its fifth year, brings together Canadian capital markets stakeholders, including regulators, standard-setters and audit firms to share perspectives on the recent developments in audit quality in Canada. The roundtable provided an important forum to discuss key issues and priorities that are needed to support the integrity of financial reporting in Canada.

The topics discussed include:

- Risks impacting external audits.
- The role of governance and culture within an audit firm, particularly with regards to audit quality.
- Observations on the implementation of the new Canadian auditing standard on quality management systems.
- Fraud detection and prevention.
- Developments in sustainability and climate disclosure reporting standards and practices.
- Risks related to emerging technologies, including artificial intelligence.
- IFRS 17 Insurance Contracts implementation.

Public confidence in the integrity of financial reporting in Canada is fundamental to well-functioning strong capital markets. Roundtable participants reaffirmed their shared commitment to fostering a robust Canadian financial system by maintaining open and proactive engagement, acting on issues early and in a coordinated manner.

KEY TAKEAWAYS

- An important element of maintaining confidence in Canada’s capital markets is the consistent execution of high-quality audits that maintain confidence in audited financial statements of Canadian reporting issuers.
- Audit firms continue to invest time and resources in the design, implementation and operation of quality management systems that are foundational to audit quality and to achieving consistent execution. Audit firms must emphasize a firm culture where auditors are recognized and rewarded for prioritizing the public interest.
- The fraud risk landscape continues to evolve. Many firms are implementing or piloting new approaches including the use of technology and the increased utilization of forensic specialists to address these evolving risks.

- Audit firms have begun to consider and address climate-related risks in their audit risk assessments of financial statements. There are opportunities to evolve the depth and consistency of these assessments.
- Increased use of emerging technologies create new opportunities to enhance audit quality but also introduce new risks. As digital innovations become increasingly sophisticated and complex, audit firms must be prepared to address the associated risks.
- A continuing shift in the risk environment may lead to increased risk in credit, liquidity and going concern issues. Sufficient consideration of the impact of these stressors is an important component of audit quality.

QUOTES

“Investor confidence in audited financial statements is fundamental to maintaining confidence in Canada’s capital markets. We are pleased to have the opportunity to bring together audit firms, standard setters and key capital market regulators to discuss current and emerging risks, and how to mitigate these risks in a coordinated manner.”

- Carol Paradine, CEO, CPAB

“High-quality external audits and proactive engagement between official sector agencies and auditors is vital in today’s uncertain risk landscape. We embrace opportunities like this roundtable to proactively address key risks to the quality of external audits, a discipline which contributes to the resilience of, and public confidence in, the Canadian financial system.”

- Peter Routledge, Superintendent, OSFI

“Financial reporting is a cornerstone of a strong capital market, and the CSA is committed to supporting and participating in important conversations that bring experts together to address the key issues and priorities influencing the integrity of financial statements in Canada.”

- Stan Magidson, CSA Chair and Chair & CEO of the Alberta Securities Commission

About CPAB

The Canadian Public Accountability Board (CPAB) is Canada's independent, public company audit regulator. Charged with overseeing audits performed by registered public accounting firms, CPAB contributes to public confidence in the integrity of financial reporting and is committed to protecting Canada's investing public. CPAB promotes 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.

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About Canadian Securities Administrators

The CSA, the council of the securities regulators of Canada's provinces and territories, co-ordinates and harmonizes regulation for the Canadian capital markets.

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About OSFI

The Office of the Superintendent of Financial Institutions (OSFI) is an independent agency of the Government of Canada, established in 1987, to protect depositors, policyholders, financial institution creditors and pension plan members, while allowing financial institutions to compete and take reasonable risks. OSFI supervises more than 400 federally regulated financial institutions and 1,200 pension plans to determine whether they are in sound financial condition and meeting their prudential requirements.

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