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Inspections

Significant inspection findings decrease, however consistent audit execution remains a challenge; CPAB and firms to focus on systems and processes to drive sustainable audit quality

Nov. 29, 2016



In its public report on the 2016 inspections of Canada's four largest accounting firms (Big Four – Deloitte LLP, EY LLP, KPMG LLP, PwC LLP) released today, the Canadian Public Accountability Board (CPAB) said its findings indicate that, while the number of significant inspection findings fell in 2016 compared to the prior year, audit quality across the firms continues to be inconsistent.

In 2016, CPAB inspected 87 (2015:93) engagement files; 11 of those had significant

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“We have seen a general improvement at the larger engagement file-specific level; however, inconsistency across firm practices and clients suggests that more effort is needed to fully embed the audit quality improvements seen in recent years in the firms’ approach to every engagement,” said Brian Hunt, CEO, CPAB.

“Firms have sound audit methodologies and quality systems and, in most cases, engagement teams execute in compliance with them; however, we continue to find exceptions where firms do not execute consistently. There is still room for improvement.”

In addition to completing procedures to identify if restatements are required, evaluating underlying causes of significant findings, updating action plans and revising tools, templates, and internal training as appropriate, CPAB has required the firms to focus on:

Revising or amending firm guidance and methodologies to address systemic issues. Identifying key quality controls and determining metrics to monitor and measure effectiveness. Ensuring effective issue escalation processes to manage and mitigate firm risk are in place.

In 2017, to better identify and understand impediments to improving firm quality systems, CPAB will shift its inspections focus to more operational reviews of firm structure, accountabilities, culture and quality processes. This new approach will be developed and implemented over the next two years.

As per the Protocol for Audit Firm Communication of CPAB Inspection Findings with Audit Committees (Protocol) all four firms share significant inspection findings and CPAB’s public reports with their clients’ audit committees. CPAB strongly

encourages audit committees to discuss the public report and any file-specific

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