

## Hey! What's New? 2024-134

### CPAB's 2025-2027 Strategic Plan

The Canadian Public Accountability Board (CPAB) has just released its *2025-2027 Strategic Plan: Protecting Investors – Audit Regulation in an Evolving Environment*. The new plan outlines next steps in CPAB's focus to strengthen investor protection and implement changes that improve the consistency of audits in Canada.

In the Executive Summary to the plan, CPAB chair Richard Payette, FCPA, and CEO Carol A. Paradine, FCPA, FCA, say that audits matter. "The verification of financial statements is a key element of the safeguards afforded to investors in Canadian public companies. The Canadian Public Accountability Board (CPAB) was formed just over 20 years ago to provide independent regulation of these audits, to heighten protection for investors. Our team of more than 70 people, in three locations across the country, is focused on assessing and promoting audit quality and on monitoring risks and changes that impact the efficacy of Canadian public company audits and more broadly, Canadian capital markets. We aim to strengthen investor protection and implement changes that improve the consistency of audits performed in accordance with Canadian and international standards."

This strategic plan, they say, "continues a journey of protecting investors in a changing environment. Audit quality has significantly improved over the last 20 years. Yet, the emergence of new and potentially transformative technologies, the implementation of new quality management standards which include a focus on firm culture and values, and the need to evolve our regulatory toolkit to keep pace with these changes are all guideposts on this journey."

They point out that "new technologies, such as generative artificial intelligence, promise to improve the efficiency and effectiveness of audits. These technologies are currently being developed both in Canada and globally by audit firms and expert software providers. And skilled professionals are increasingly embedding digital into the repertoire of tools available to deliver quality audits. As regulators, we equally need to develop our digital savvy, enabling us to ask challenging questions, to probe the outputs of these technological tools and to ensure that appropriate safeguards are established."

The introduction of new international and Canadian standards on quality management, they note, "and other efforts by audit firms, have resulted, at many firms, in a reduction in significant inspection findings. Yet more work is needed. We have identified opportunities to improve the quality management systems at a number of firms. Further, this plan describes the types of incremental preventative measures, such as continuing education and additional registration processes, that we plan to put in place."

Fundamental to these systems of quality management are ethics, culture and governance. "The public interest must be an auditors' north star. Audit firms need to foster corporate cultures that place value on not just strong audit quality but also doing the right thing. Ethical breaches cannot be condoned or minimized."

As the environment evolves, Payette and Paradine point out, "so must the tools in our regulatory toolkit. Our 2022-24 strategic plan included a commitment to update the framework for disclosure of our inspection and enforcement. After seeking input from audit committee chairs, investors and other stakeholders through public consultation, we have increased transparency in relation to our enforcement activities; and we are in the process of seeking approvals and required legislative change in certain Canadian provinces for amendments to our rules and the CPAB Act to permit us to publish more details on our regulatory assessments."

As part of the 2025-27 strategic plan, CPAB will continue to explore opportunities to hone the regulatory tools available to it, and the potential to add new ones where appropriate.

In the CPAB 2025-2027 strategic plan, they say, the vision of CPAB in three years includes:

- Strengthened investor protection – enhanced consistency of execution of audits in accordance with standards.
- Technology is embedded into CPAB's processes and used to make CPAB's regulatory assessments and other activities more effective.
- Smaller audit firms have made meaningful advancements in their audit quality through implementation of systems of quality management.
- CPAB has an updated regulatory toolkit – providing it with a greater breadth of intervention options.

The Executive Summary shares that CPAB's staff and board “are excited about the changes that are underway in the audit environment and committed to doing our part to foster a strong, resilient audit profession.”