

## Hey! What's New? 2025-114

### CPAB Releases Report On 2025 Interim Inspections Results

The Canadian Public Accountability Board (CPAB), Canada's public company audit regulator, has released its interim public report on its 2025 audit quality assessment work to date. Themes identified in its inspection findings so far this year include:

- Technology used in audits: Insights related to the use of technology-assisted audit tools to perform audit procedures.
- Fraud risk identification and response: Need for better evaluation of fraud risk factors and audit procedures responsive to fraud risks identified.
- Audits of group financial statements: Insights related to the implementation of the revised group audit standard.
- Evaluation of accounting policies: Findings about whether the company's accounting policies are appropriate and in accordance with financial reporting standards.

As of September 30, 2025, CPAB had inspected 59 of the 62 files planned for inspection across Canada's four largest audit firms, and identified significant inspection findings in nine of those files. This compares to eight files with significant inspection findings across 65 inspections in 2024. CPAB also inspected 10 files at other firms and identified four files with significant findings.

The report points out that the Canadian standard on quality management (CSQM 1) requires all firms to annually evaluate their system of quality management and conclude whether it provides the firm with reasonable assurance that the objectives of the system are being achieved. "Our 2025 system of quality management evaluations for the four largest firms are currently underway and will focus on the firms' self-evaluation. We will publish our findings in our 2025 annual report in March 2026. Firms will need to continue to evolve their system of quality management to adjust to changing circumstances."

The development of firm policies, processes and guidance related to the use of technology, including AI-enabled tools, requires certification of all technology tools. The report notes that "a significant inspection finding is defined as a deficiency in the application of auditing or other relevant professional standards, as defined in Section 300 of CPAB's Rules, 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."

CPAB requires firms to carry out additional audit procedures to determine the need, if any, to restate the financial statements due to material error, or to substantiate that the firm obtained sufficient and appropriate audit evidence with respect to a material balance sheet item or transaction stream to support their audit opinion.

In September 2024, CPAB published *The use of artificial intelligence in the audit — balancing innovation and risk* to provide an overview of our observations on how AI could enhance audit quality and outlines how we expect audit firms and auditors to manage the risk relating to AI-enabled tools.

The publication also discusses the importance of human oversight and reminds that AI-enabled tools are designed to enhance but not replace the professional judgement that is applied by auditors.

The report states that “remote work has been identified as one of the root causes of an increase in audit deficiencies by various firms. On-the-job coaching and in-person training will continue to be critical components in the development of auditors and the execution of quality audits.”

“The themes identified in our inspection findings have either occurred most frequently and/or are of heightened concern,” the report says. “The most common significant findings continue to relate to the audit of revenue and areas with significant estimates such as business acquisitions, impairment of assets and the valuation of financial instruments. The current macroeconomic environment has significantly increased the level of estimation uncertainty in these areas.”

The report also includes CPAB’s observations on AI applications and their impact on the audit landscape, and the release of CPAB’s individual firm public inspection reports starting in the first quarter of 2026. “At CPAB, we are steadfast in our commitment to continuous improvement in audit quality and heightened transparency, which serve to enhance investor protection,” said Carol Paradine, CEO, CPAB.

Download the report at [2025-interim-inspections-results-en.pdf](#).