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Upholding High Standards to Protect the Public

Quality Management Report 2025

Our Mandate

The CPA profession is a provincial responsibility, which is established through provincial legislation.

CPA Ontario is the regulatory body responsible for overseeing CPAs and accounting firms in Ontario.

Like our provincial, territorial, and Bermudian (PTB) counterparts across Canada, the critical work we do protects the public, advances the profession and enables CPAs to lead business and society forward in the province and across the country.

CPA Ontario delivers on these significant responsibilities that government has entrusted us to:




Govern and regulate CPAs and accounting firms in Ontario

which includes compliance, enforcement and disciplinary processes.



Educate and assess CPA students

by delivering a world-class professional education program.



Ensure the CPA pipeline meets market demands

through recruitment activities within Post Secondary Institutions and high schools, and by supporting new entrants to Canada.



Grant CPA designations and public accounting licences

while maintaining the rigour and high standards that set the profession apart.



Enhance the skill and knowledge of CPAs

through professional development and thought leadership.



Support standard setting

within Canada and at the international level.



Enable mobility

across Canada and internationally.



Work with our provincial, territorial and Bermudian CPA counterparts

to facilitate common entry to the profession and the portability of the designation.



Our Purpose

We **PROTECT**
the public.

We **ADVANCE**
the profession.

We **ENABLE** CPAs to
lead business and
society forward.

Our Values

How we do things is just as important as what we do.

Our values guide the way we work and the decisions that we make. They reflect who we are as an organization and what we believe is right. Our values align with our purpose and enable us to deliver our strategy in a way that we can all be proud of.

These values embody how we aspire to behave in all situations with each other, our members and students, and other stakeholders. They set the expectations we have of each other.

We act with INTEGRITY

We always do the right thing and take accountability for our decisions and work.

We are THOUGHTFUL

We are considerate in the way we make decisions, and how we engage with the public, employers, our members, students, and colleagues.

We work TOGETHER

We are a supportive and inclusive team and empower each other to achieve our personal and professional goals.

We make an IMPACT

We strive to make a meaningful difference to our stakeholders and the profession, delivering results with excellence.

We are FORWARD-THINKING

We are curious, innovative, and data-driven, and ensure our work benefits business and society.

Our Strategic Priorities

Our strategy defines our priorities as an organization and guides the work that we do.

Our strategy is designed to meet the needs of today's complex business environment while responding to the trends and forces reshaping our profession and the economy at large.

Our five strategic pillars focus our efforts. Everything we do supports these pillars and ensures that our work helps us achieve our purpose.

PROTECT the public interest by ensuring our members, students and employees maintain the highest standards of integrity.

ADVANCE the profession by developing CPAs who can lead in an ever-evolving world.

BUILD a robust pipeline of high calibre individuals.

CREATE a strong brand and demand for CPAs.

CULTIVATE an environment that enables our people to thrive together.



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Executive Summary

Protecting the public is the foundation of CPA Ontario's mandate.

Given the critical role that CPAs play in capital markets and the economy, ensuring that members, students and firms meet the highest standards of technical expertise and ethical conduct is at the core of our role as the regulator of the profession in Ontario.

It's why, after the 2022 practice inspection cycle identified concerns with how firms were managing quality, CPA Ontario conducted a focused review and reported its results in [Upholding High Standards to Protect The Public: Managing Audit Quality 2023](#).

It was the expectation of CPA Ontario that firms use the report to help guide their annual review of their Systems of Quality Management (SoQMs) mandated by the Canadian Standard on Quality Management (CSQM) 1.

After the release of *Managing Audit Quality 2023*, CPA Ontario announced that, as part of expanding its focus from audit quality into engagement quality, it would conduct in-depth reviews of quality management systems to ensure that firms were meeting the standards. This Enhanced Quality Management Review (EQMR) program, launched in 2023, featured a review of quality

systems managing audit, review and compilation engagements, as well as other related services.

The EQMR assesses the design and implementation of a firm's relevant controls and processes, as well as the effectiveness of those controls. In the two years since the launch of the EQMR program, CPA Ontario has assessed the SoQMs of twelve firms that audit reporting issuers, selected based on their risk profiles.

Of the twelve firms who were subject to the EQMR, two were found to have significant reportable deficiencies requiring remedial action. One was subject to reinspection and given the opportunity to address the deficiencies identified in their initial review. The other firm was found to have deficiencies of such significance that the firm was referred to CPA Ontario's Professional Conduct Committee for investigation to determine whether disciplinary action is warranted.

The EQMR for these two firms identified reportable deficiencies requiring remedial action, lest they pose a material risk to the public, including:


- The need for firm leadership to demonstrate they are nurturing a culture of quality throughout the firm;
- The need to develop formal and effective whistleblower policies; and
- The need to select appropriate engagement files for monitoring and ensure that those responsible for monitoring have appropriate qualifications and experience.

Some broad-based themes identified for all twelve firms include:

- The need to improve documentation of Partner evaluation and compensation models to demonstrate a clear link to quality;
- The need to enhance documentation of procedures, professional judgment and conclusions reached in engagements performed; and
- The need for consistent archiving and lock-down of engagement files in a timely manner.

While the findings from the remaining ten firms subject to the EQMR did not warrant remedial action, the reviews did reveal areas where there is work to be done. When it comes to SoQMs, driving a **culture of continuous improvement** is essential.

Regardless of their individual findings, every firm subject to an EQMR received a full report of our assessment, including actions to address our findings.



Every CPA is held to the highest standards, and it is the expectation that every CPA ensure their engagements are of the highest quality.

Regardless of whether firms have been subject to an EQMR, they should use the findings of this report to help guide the improvement of their own SoQMs.



Introduction and Approach

Confidence in engagement quality comes from knowing that firms have designed, implemented and consistently applied policies and procedures that promote and support quality in accordance with professional standards.

As the largest CPA regulatory body in Canada, qualifying and regulating over 105,000 CPAs, including over 4,000 Public Accounting Licence (PAL) holders and over 7,000 firms, it is CPA Ontario's role to protect the public by ensuring that firms, members and students meet the highest standards of integrity and technical expertise.

The Canadian standards moved from quality control to quality management with the implementation of CSQM effective on December 15, 2022, for audits and reviews of financial statements and other assurance engagements, and December 15, 2023, for related services engagements including compilation engagements.

This new approach to quality is risk-based, focused on achieving quality objectives and grounded in a risk assessment that identifies quality risks specific to firms and the engagements they perform. That is why, in 2022, after concerns with audit quality were identified in several registered firm practicing offices during the practice inspection cycle, CPA Ontario embarked on a focused review of public accounting firms that conduct audits of reporting issuers. Fifteen firms, which collectively audit over 99% of the reporting issuers in Ontario, were selected for this review.

The review assessed whether quality management policies, procedures and cultural practices were upholding both the regulations and the standards of the profession. The results of this review are found in the report [Upholding High Standards to Protect the Public: Managing Audit Quality 2023](#).

The review identified five areas of risk that, if left unaddressed, could represent a threat to quality. By no means do these quality risks apply to every firm that was subject to the review, but their presence indicated the need for firms to take steps to ensure the highest possible standards of audit quality were being met.

It was the expectation that the findings in *Managing Audit Quality 2023* were used by firms in the evaluation of their SoQMs, as required under CSQM 1.

The five areas of risk identified in *Managing Audit Quality 2023* were:

01

Governance and decision-making

02

Ethical mindset

03

Talent and technology

04

Working papers

05

Monitoring activities

CSQM 1 and 2 no longer just apply to assurance engagements. Compilation engagements and other related services now fall under the standard, which is why CPA Ontario has evolved its own approach to reviewing firms' quality management. Building upon *Managing Audit Quality 2023*, CPA Ontario implemented the EQMR program, which not only assesses the design and implementation of a firm's relevant controls and processes, but also tests the effectiveness of those controls. The scope of the EQMR program broadens the focus from audit quality to overall engagement quality, reinforcing the highest standards of quality for all engagements covered by the CSQMs.

In addition to identifying risks, the responses provided by the firms also revealed a series of effective practices that drive audit quality. These best practices were shared as a road map for firms as they conduct their review of their SoQMs within one year of implementation, as per CSQM 1.

What is Engagement Quality?

In **Upholding High Standards to Protect the Public: Managing Audit Quality 2023**, CPA Ontario expressed the view that audit quality is dependent on a firm establishing a System of Quality Management (SoQM) that ensures audits are planned and performed consistently and to the high standards of the profession.

This includes:

- The establishment of appropriate values, ethical standards and attitudes.
- The development of required knowledge, skills and experience.
- The allocation of sufficient time and resources to perform audit work.
- The implementation of a rigorous quality management system that complies with professional standards and applicable legal and regulatory requirements.

In Ontario, these requirements include the *CPA Code of Professional Conduct*, the *Public Accounting Act, 2004*, the *Chartered Professional Accountants of Ontario Act, 2017*, CPA Ontario's by-law and regulations, and the profession's quality management standards, *Canadian Standards on Quality Management (CSQM) 1 and 2*.

The Enhanced Quality Management Review (EQMR) program built on *Managing Audit Quality 2023* and now includes review and compilation engagements as well as other related services. As a result, our focus on audit quality expanded to engagement quality.

CPA Ontario reviewed each firm's process for establishing quality objectives, identifying and assessing quality risks and designing and implementing responses to address quality risks. Our assessment focused on the following quality elements aligned to the CSQMs:



GOVERNANCE AND LEADERSHIP

Establish a firm culture and environment that supports the system of quality management.



RELEVANT ETHICAL REQUIREMENTS

Adhere to the relevant ethical requirements, including integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.



ACCEPTANCE AND CONTINUANCE OF CLIENT RELATIONSHIPS

Assess the firm's judgments regarding any engagement, including integrity and ethical values of clients.



ENGAGEMENT PERFORMANCE

Undertake appropriate actions to promote and support the consistent performance of quality engagements, including exercising professional judgment and maintaining professional skepticism throughout the engagement.



RESOURCES

Develop and allocate the necessary resources in a timely manner, including human, technological and intellectual resources, to perform quality engagements.



INFORMATION AND COMMUNICATION

Establish effective communication channels regarding the SoQM internally and externally to the firm.



MONITORING AND REMEDIATION

Provide relevant, reliable and timely information about design, implementation and operation of the SoQM, as well as appropriate actions to remedy deficiencies identified in a timely manner.



Scope and Selection

Firms were selected for an EQMR based on their risk profile, including their size, types of engagements and the nature of their client industries.

For the first two years of the EQMR program, all firms that were included in the EQMR performed audits of reporting issuers.

The assessment of each firm's SoQM included the design, implementation and operation of policies, procedures and controls established by the firm.

The EQMR program was rolled out to three firms in 2023, the results of which were included in the [CPA Ontario Regulatory Report 2024](#). The program was expanded to include nine additional firms in 2024, concurrently with their triennial practice inspection, with one firm subject to reinspection.





Results

In 2023 and 2024, twelve firms that audit reporting issuers were subject to the EQMR.

Each finding identified in the EQMR was classified as either a reportable deficiency or a non-reportable matter for inclusion in the firm's practice inspection report.

Each finding did not necessarily pose a material risk to the public. If a finding did pose a potential risk to the public, it was classified as a deficiency and formed the basis in determining which remedial actions were appropriate. All twelve firms were issued a report which included recommended actions regardless of the outcome of their review.

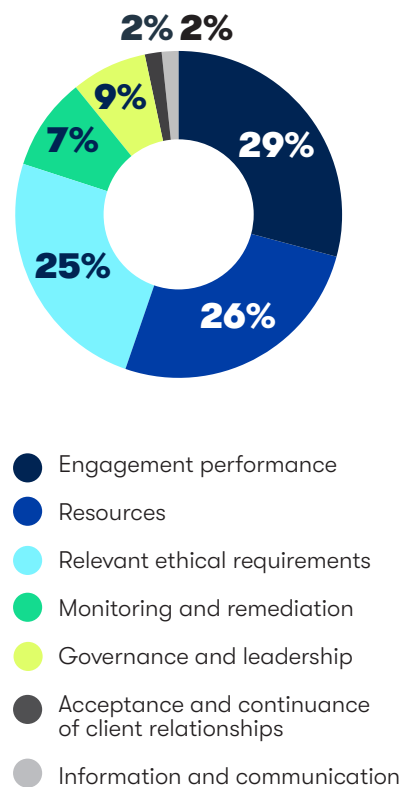
Ten of the twelve firms had findings that did not pose a material risk to the public.

One of the twelve firms inspected in 2023 had a significant number of deficiencies that were of concern. As a result, a reinspection of the firm's SoQM was warranted, providing the firm with the opportunity to demonstrate their implementation of appropriate remedial actions. The firm was reinspected in 2024 and has substantially addressed the deficiencies from our initial review by enhancing their quality management system. Consequently, no further action was considered necessary.

One of the twelve firms was referred to the Professional Conduct Committee.

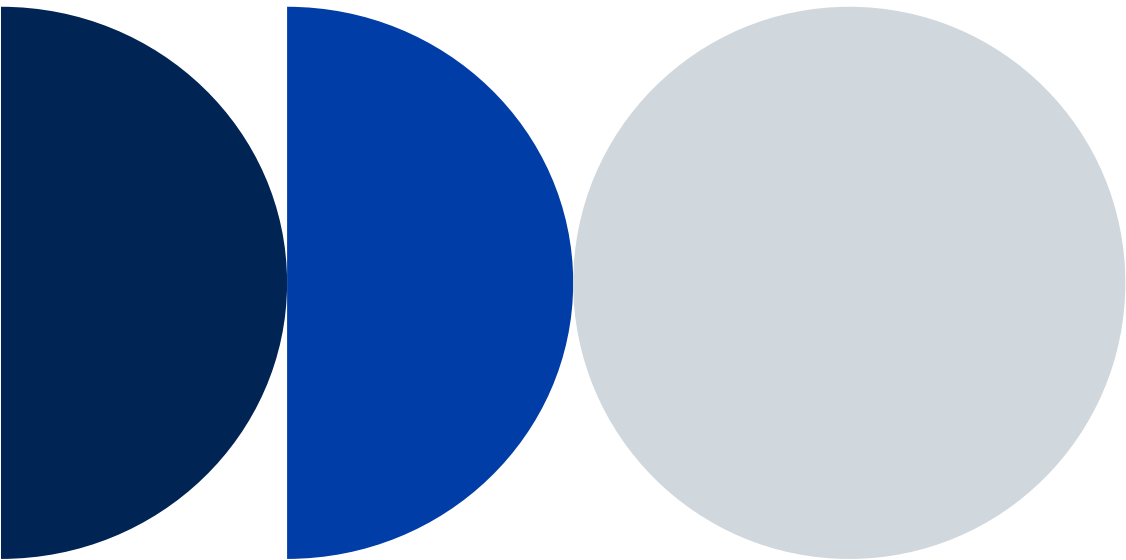
Due to the severity of the nature and number of deficiencies identified, this firm is under review to determine if independent investigation and further disciplinary actions are warranted.

There were findings under all categories of policies and procedures examined in the EQMR program, though 80% of those fell into one of three categories: **Engagement Performance, Resources, and Relevant Ethical Requirements.**



All twelve firms were provided with an in-depth report identifying specific findings and areas for improvement, as well as the actions they need to take to strengthen their SoQMs. CPA Ontario expects each firm to develop action plans to outline how they will address these findings and create a **culture of continuous improvement**.

The following table lays out key findings from the EQMR as well as a summary of the actions required by firms to address them. While there were findings under the **acceptance and continuance of client relationships** and **information and communication categories**, they were not common enough to warrant inclusion in this report.



Quality Element	Findings	Actions Required
<p>Governance and Leadership</p> <p>Accountability for quality starts at the very top. The responsibility for meeting the expectations and standards of the profession ultimately rests with firm leadership.</p>	<p>Leadership did not adequately demonstrate they were nurturing a culture of quality throughout the firm.</p>	<p>Develop and monitor a plan to address all findings identified in the EQMR report. The plan should reinforce leadership's responsibility to perform quality engagements by embedding quality in strategic decision making and ensuring adequate resources are available to perform quality engagements.</p>
	<p>Partner evaluation model did not adequately document how quality impacts Partner compensation.</p>	<p>Document the determination of Partner compensation to demonstrate a clear link to quality indicators such as monitoring results, inspection results and instances of restatements.</p>
<p>Relevant Ethical Requirements</p> <p>Ethics are the foundation of the profession, and a key component to any system of quality management. Firms must hold themselves to the CPA Code of Professional Conduct in all of their work.</p>	<p>Annual confirmations of independence from Partners and staff were not obtained on a timely basis.</p>	<p>Enforce policy requiring all annual independence confirmations to be obtained on a timely basis and that compliance is tied to employee performance.</p>
	<p>Whistleblower program policies lacked comprehensive documentation.</p>	<p>Enhance and carefully document whistleblower policies to detail the adequate protections provided to whistleblowers, with specific messaging and training for staff to reinforce reporting obligations. Ensure the individuals who receive whistleblower reports are independent of engagement teams and removed from the oversight of staff. Outsourcing the whistleblower process should be strongly considered.</p>

Quality Element	Findings	Actions Required
<p>Engagement Performance</p> <p>Engagement performance is a key factor of quality management.</p> <p>Engagement teams need to understand their responsibilities, be adequately supervised and exercise appropriate professional judgment for the work they are assigned.</p>	<p>Engagement files lacked sufficient documentation of the substantive procedures performed and professional judgment and skepticism applied.</p>	<p>Enhance guidance materials and training for engagement teams. Reassess engagement budgets to ensure there is sufficient time to prepare required documentation. Engagement partners and engagement quality reviewers should be directed to spend additional time in these areas when conducting their reviews.</p>
	<p>Consultations were not documented in areas of complex accounting or assurance matters.</p>	<p>Implement a policy requiring all consultations be documented, including detailing all relevant facts and agreed upon conclusions, and ensure they are reviewed by an engagement quality reviewer. A database of all mandatory consultations and conclusions should be maintained which includes signoffs by those consulted in addition to the engagement team.</p>

Quality Element	Findings	Actions Required
<p>Resources</p> <p>High quality engagements require high quality tools and high quality people. Firms need to make sure they are dedicating the necessary resources to drive high levels of performance.</p>	<p>Assembly and archiving of engagement files were not completed on a timely basis.</p>	<p>Automate the archiving process to reduce the possibility of human error. Disabling this automated feature should be expressly prohibited with appropriate penalties to address any attempted or actual circumvention.</p>
	<p>Continuing Professional Development (CPD) undertaken was not relevant to the nature of the work being performed.</p>	<p>Implement a policy requiring all Partners and staff to attend CPD in relevant accounting and assurance frameworks as a prerequisite to being assigned to engagements reporting under those frameworks.</p> <p>Failure to obtain appropriate professional development should trigger a continuance assessment by the Managing Partner, or their equivalent, with respect to the affected clients.</p> <p><i>Note: Individuals who may not have met minimum CPD requirements were referred to the Registrar's Office for an independent assessment as a part of their PAL renewal.</i></p>

Quality Element	Findings	Actions Required
<p>Monitoring and Remediation</p> <p>Monitoring and remediation is not an afterthought. It is critical to the functioning of any system of quality management.</p>	<p>Qualifications of individuals performing monitoring activities were not sufficiently evaluated.</p>	<p>Monitoring is critical to maintaining a culture of quality, and therefore monitoring activities should be assigned to team members with the necessary skills.</p> <p>Perform a thorough assessment of the experience and technical skills of the individuals performing the monitoring activities, such as mapping to the nature of the firm's practice.</p>
	<p>Files selected for cyclical monitoring were not representative of the nature of the firm's practice.</p>	<p>Incorporate risk considerations to determine the scope and extent of files selected for monitoring, considering findings from external regulators when deciding which files, industries and financial statement areas to monitor.</p>

Conclusions

These findings underscore the critical role that SoQMs play in reinforcing engagement quality.

They also demonstrate the necessity of maintaining a **culture of continuous improvement**, where firms are refining their policies and practices on an ongoing basis.

The firms subject to an EQMR have been provided with the necessary actions they should take to address any findings within their SoQMs, including the development of comprehensive actions plans, training, and improving documentation of how quality is integrated into Partner compensations models.

The findings and the actions laid out in this report are not just applicable to firms who have been subject to an EQMR. The responsibility of maintaining quality rests with **every** firm, and with every CPA. These lessons can and should be applied broadly across the profession to every engagement where the CSQMs apply.

In 2025, 13 additional firms will be subject to an EQMR, including firms that perform higher risk engagements other than audits of reporting issuers. CPA Ontario will continue to hold the profession to the highest standards and fully investigate any alleged misconduct.

