

PAC ANNUAL CONFERENCE  
PROFESSIONAL ACCOUNTING FUTURES

Corporate Failures:

Lessons for Accounting, Auditing, and Governance

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Canadian Public  
Accountability Board

Conseil canadien sur  
la reddition de comptes

# University of Toronto Professional Accounting Centre

**2023 Conference – Corporate Failures: Lessons for Accounting,  
Auditing, and Governance**

Carol Paradine, CPAB

# Agenda



**Reflections from the past six years**



**What we heard at CPAB's fraud symposium**



**Is there a gap in accounting and/or auditing standards?**



**Is there an audit performance gap?**

# What we heard at CPAB's 2023 fraud symposium

## Excerpts from November 2023 publication

“Risks facing capital markets are rarely specific to a single country, or to a single stakeholder. Regulators, governments, boards and management, and auditors, all have an important role to play in creating environments that discourage fraud, and where, in the event of fraudulent activity, it can be detected quickly.”

*Benita Warmbold, Board Chair, Canadian Public Accountability Board*

“Auditors assume a public responsibility and owe ultimate allegiance to investors.”

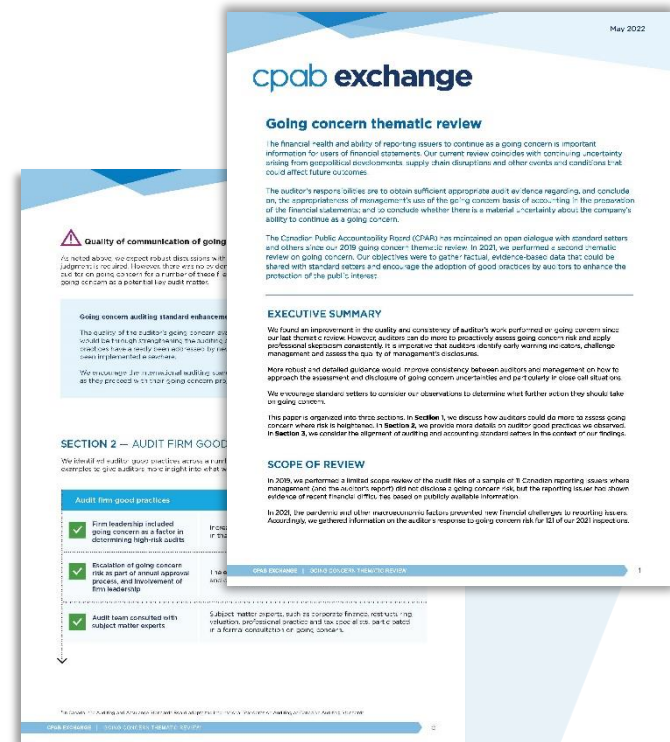
*Paul Munter, Chief Accountant, US Securities and Exchange Commission*

# Is there a gap in accounting and/or auditing standards?

Projects underway to update the auditing standards

The impact of technology

Are going concern accounting and disclosure standards working?



# Is there an audit performance gap?



CPAB's thematic reviews



Whistleblower reporting systems



Professional skepticism



Related party transactions



Remote work

**cpab exchange** MAY 2022

### Fraud thematic review

The results of our fraud thematic reviews suggest that auditors could do more to enhance the quality of their fraud risk identification and assessments. Performing a high-quality fraud identification and assessment is critical to fulfilling the auditor's responsibilities with respect to detecting fraud in audits of financial statements.

**Introduction**

The Canadian Public Accounting Board (CPAB) is Canada's independent, public company audit regulator. Charged with overseeing audit performance 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 performed fraud thematic reviews in 2020 and 2021 to evaluate the quality of fraud-related procedures in audits of financial statements of public companies. The fraud thematic reviews also provided insight into how the five national auditing standards that deal with an auditor's response address relating to fraud could be strengthened, enhanced and clarified in the public interest (Exhibit 1).

This report is organized in three parts. First, we summarize our key findings for auditors. Second, we provide a detailed review of the results of our 2020 fraud thematic review. We conclude with two case studies, each adapted from examples observed in our inspection of audits, where auditors did not exercise an appropriate level of professional skepticism. We use these case studies to highlight some aspects harmful for auditors.

**Exhibit 1**

**Fraud auditing standard in wider practice**

In November 2021, the International Auditing and Assurance Standards Board (IAASB) issued a revised International Standard on Auditing (ISA) regarding fraud, which is currently under consideration by the International Federation of Accountants (IFAC). In 2019, the Auditor General published the report, *Public's Trust in Financial Statements*.

CPAB is actively engaged with the IAASB and the Canadian Auditing and Assurance Standards Board (CAASB) to help develop revised ISAs and CAS 250, respectively.

**Exhibit 4**

Public entities do not have robust fraud risk promotion, honesty and ethical behaviour. Based on our partner may determine that a forensic accountant to identify, assess and respond to fraud risks.

Part partner to perform a skills gap assessment (if available) already prepared on the audit's plan to perform the audit?

Goal is to consider using supplemental test to firm's skills gap assessment process to evaluate forensic competence and capabilities to perform forensic program

**Whistleblower program**

whistleblower programs in 36 per cent of audits

of whether whistleblower programs through inquiries of the entity (e.g., internal auditors, legal counsel, etc.), inquiries were received about the entities' financial and compliance were dealt with less commonly. If programs are effectively designed to deter and protect, are often to whistleblowers.

**42%**

of audits were uncovered by firms with more than half of these findings coming from whistleblowers.

**100% Defects** Daily requirement to audit of financial statements (2020-2021)

Report prepared by the firm and reviewed.

Report prepared by the firm and reviewed.

Report prepared by the firm and reviewed.



# Resources



## CPAB's Resource Centre

For inspections findings, thought leadership publications, comment letters and more.

[www.cpab-ccrc.ca/resource-centre](http://www.cpab-ccrc.ca/resource-centre)



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