

FOCUS ON PRACTICE REVIEW – 2026

This 2026 Focus on Practice Review explains how the CPA Alberta Practice Review program supports protection of the public, what practitioners can expect during a practice review, how results are assessed, and what common deficiencies were observed during the most recent fiscal year (April 1, 2025 to March 31, 2026).

CPA Alberta's Practice Review program plays an essential role in protecting the public and supporting the consistent quality of professional accounting services by:

1. Assessing firm compliance with professional standards and addressing instances of non-compliance through appropriate follow-up or remedial action; and
2. Providing one-on-one interaction and education to firms.

UNDERSTANDING PRACTICE REVIEW

The provincial and territorial regulatory bodies across Canada follow the National Harmonized Practice Inspection/Review Program (the "Program"). While there may be differences in administrative processes, the Program includes harmonization of the objective and scope of practice review, selection of firms and files for review, evaluation of results, potential consequences, and qualifications of the practice reviewers and the Practice Review Committees. Practice Review leaders in each province meet regularly to monitor consistent application of the Program.

In Alberta, the Practice Review program fulfills a mandatory regulatory requirement set out in provincial legislation. All professional accounting firms and professional service providers are required to undergo practice review. For ease of reading, this article refers to those firms and professional services providers collectively as "firms". All firms must undergo a practice review no less than once every three (3) years. The following risk indicators may result in a practice review earlier than the minimum three (3) year cycle:

- Date of registration with CPA Alberta;
- Date of registration with the Canadian Public Accountability Board ("CPAB");
- Significant changes in scope of practice;
- Significant changes in type of clients or composition of registrant;
- Failure to meet professional development requirements;
- Previous practice review results;
- Disciplinary information; and
- Any other information warranting an increased rate of practice review.

At the start of the practice review process, each firm is required to provide up-to-date information about its practice. CPA Alberta's Practice Review team then coordinates a date for the practice review to take place. Reviews may be performed onsite or remotely, depending on a number of factors, including but not limited to the nature and size of the firm's practice.

Regardless of location, one or more practice reviewers will select a sample of completed engagements and will review the files provided to determine whether the engagements were completed in accordance with established standards. **It is important to note that Practice Review does not set the standards.**

Professional standards assessed against include those in the:

Canadian CPA Handbooks	CPA Alberta Rules of Professional Conduct	Tax Management Standards
The most common engagements reviewed include audit, review and compilation engagements. Other engagements reviewed include, but are not limited to: • Agreed-upon procedures engagements (CSRS 4400); • Direct engagements (CSAE 3001) or direct engagements to report on compliance (CSAE 3531); • Attestation engagements other than audits or reviews of historical financial information (CSAE 3000); • Attestation engagements to report on compliance (CSAE 3530); and • Compilation of a financial forecast or projection (AcG-16 and CSRS 4250).	Rules of Professional Conduct considered include but are not limited to: • Independence (Rule 204); • Conflict of interest (Rule 210); • Contingent fees (Rule 215); • Commissions and other compensation arrangements (Rule 216); • Communication with predecessor (Rule 302); • Practice names (Rule 401); • Use of descriptive style (Rule 402); and • Handling of trust funds (Rule 612).	The CPA Alberta Board has approved Tax Management Standards, and the firm's tax management practices are assessed against those standards.

The practice reviewer(s) will discuss their findings with the firm, make a recommendation on whether the firm complies with the applicable standards, and prepare a report for the Practice Review Committee. During the practice review, the practice reviewer(s) will also discuss best practices, new standards that are not yet effective, and available resources. As part of this discussion, the practice reviewer(s) will provide the firm with a preliminary deficiency report which may include reportable and non-reportable deficiencies.

Reportable deficiencies are those that are reported to the Practice Review Committee and represent findings that are material or non-quantifiable departures from the standard. Reportable deficiencies are further categorized as significant or other using the Program's National Harmonized Practice Inspection/Review Methodology ("the Methodology").

Significant deficiencies are important to the quality of work performed or to the usefulness of the financial information and will be material in value or non-quantifiable. Other reportable deficiencies also represent a material departure from the standard but are not significant documentation issues in the file and are not so significant that on their own would cause users of the financial information to misunderstand the information presented.

Non-reportable deficiencies are educational in nature and may represent immaterial deficiencies in the financial information presented or an insignificant documentation matter in the file, such as best practice suggested improvements from the practice reviewer(s). Findings that are categorized as non-reportable according to the Methodology are not communicated to the Practice Review Committee.

WHO IS ON THE PRACTICE REVIEW COMMITTEE?

In accordance with the CPA Act, the Practice Review Committee (the “Committee”) is comprised of eleven (11) CPA members and one (1) public member who does not hold the CPA designation. Committee members are appointed by the CPA Alberta Board.

Geographic location and practice size are considered in determining Committee membership. Collectively, the Committee possesses the experience and technical knowledge of a broad range of circumstances and industries, including accounting and auditing related to reporting issuers, local governments, not-for-profit organizations, pension plans, and private enterprises. Their knowledge and experience also include both assurance and compilation engagements.

WHAT IS THE ROLE OF THE PRACTICE REVIEW COMMITTEE?

After each practice review, the Committee must assess whether the firm complies with practice standards and the Rules of Professional Conduct. The Committee holds seven (7) meetings annually and considers approximately 60-100 practice reviews at each meeting. The Committee assesses practice review reports and any comments received from firms on an anonymous basis. Each firm being reviewed is assigned a unique number so that its identity remains anonymous when being assessed by the Committee to prevent any conscious or unconscious bias.

Factors considered by the Committee in determining compliance include, but are not limited to:

- Recommendations on compliance from the practice reviewer(s);
- The nature and severity of identified deficiencies;
- The number of identified deficiencies;
- The firm’s response to identified deficiencies, including those requiring remedial action;
- The firm’s system of quality management and whether monitoring was performed;
- The public interest; and
- In a follow-up practice review, results of the initial review and the degree to which the firm addressed identified deficiencies.

Under the Methodology, if any one file does not meet the standards, the Committee will conclude the firm does not comply with the standards.

When the Committee concludes the firm does not comply with the standards, the Committee may take one or more of the following remedial actions:

- Recommend practice improvements, practical experience, or the engagement of a mentor
- Direct a follow-up practice review
- Direct the establishment and implementation of a professional development plan or a plan to maintain and improve professional standards
- Direct that courses, examinations, tutorials or other forms of professional development or skills training be taken
- Make a complaint to CPA Alberta's Complaints Inquiry Committee (the "CIC")

The scope of the follow-up review, if directed, is determined in accordance with the Methodology and may be either limited or full scope.

If the Committee concludes its directed remedial action has not been effective and other consequences are required to protect the public, the Committee will then refer the matter to the CIC. Matters referred to the CIC by the Committee include:

- Not cooperating with the practice review process;
- Continuing lack of success adhering to professional standards;
- Choosing not to take the professional development directed by the Committee;
- Performing engagements the firm is not registered to perform; and
- Breaching the CPA Alberta Rules of Professional Conduct.

PRATICE REVIEW OBSERVATIONS

During the fiscal year ended March 31, 2026, 462 practice reviews were completed, of which 56 required a follow-up practice review. The Committee directed attendance at 79 professional development courses and made nine (9) complaints to the CIC. The overall rate of compliance with the standards of 88% is exactly consistent with the prior year.

ROOT CAUSES OF NON-COMPLIANCE

The areas of non-compliance with the standards included areas related to both assurance and non-assurance engagements, quality management, and the Rules of Professional Conduct. Across those areas, the following root causes were commonly observed:

- Professional development was not up to date in the areas of practice;
- Firm practice aids and resources were not up to date;
- Performance of engagements that were outside of the practitioner's area of expertise;
- Sufficient resources (time and/or staff) were not allocated to engagements; and
- Inadequate documentation that does not allow an experienced practitioner to understand how the requirements of the standards were met.

COMMON SIGNIFICANT DEFICIENCIES

The following common significant deficiencies were identified in Alberta during the most recent fiscal year of the Practice Review program. Because these deficiencies can affect the quality of work performed and the reliability of information used by the public, the Committee often requires firms to respond and explain their remedial action plans before making decisions on compliance. Those responses help the Committee understand how the firm intends to remediate the deficiency, both on a go-forward basis and, where applicable, in relation to the engagement performed or financial statements already issued.

This list is not a comprehensive list of all areas reviewed through the Practice Review program but highlights deficiencies that were commonly observed by the practice reviewers. These examples are provided for educational purposes to help firms identify areas they may wish to review within their own practices.

QUALITY MANAGEMENT DEFICIENCIES

Canadian Standards on Quality Management (“CSQM 1 & 2”) became effective for audits or reviews of financial statements or other assurance engagements as of December 15, 2022, and became effective for related services engagements, which include compilation and agreed-upon procedures engagements, as of December 15, 2023.

Firms performing assurance engagements were historically subject to the predecessor quality control standard and generally had a quality assurance manual documented. Practice reviewers continue to observe, however, that some firms have not updated those manuals to reflect the requirements of CSQM 1 & 2 and are instead continuing to rely on outdated documentation. Changes to adopt CSQM 1 & 2 are significant due to the emphasis of a risk-based approach to each firm’s system of quality management, which is considerably different from the previous documentation requirements, which were more prescriptive.

For non-assurance firms, the adoption of CSQM 1 & 2 presented a different challenge. Related services engagements were historically not in scope of the predecessor quality control standard. As a result, many non-assurance firms had not previously documented their quality management policies and procedures, which has contributed to more significant deficiencies in this area.

Due to the significant impact of adopting these standards on both assurance and non-assurance firms, there has been an increase in the number of deficiencies identified in quality management, as follows:

- Quality risks were not identified and assessed to provide a basis for the design and implementation of responses (CSQM 1.25);
- Required specified responses to address quality risks were not designed and implemented, including the requirement to establish policies or procedures that address engagement quality reviews (CSQM 1.34);
- The firm did not document the performance of monitoring activities (CSQM 1.36); and
- An annual evaluation of the system of quality management was not performed (CSQM 1.53).

When documenting the firm's system of quality management, practitioners should assess the risks of their particular practice to effectively implement the standard. The engagement types, firm structure and resources, client industries, and experience of the practitioner will all impact the level of risks and therefore required responses to those risks that are unique to each firm. Many firms already apply this risk-based approach when operating their firms, so the documentation should reflect that approach.

COMPILATION ENGAGEMENT DEFICIENCIES

The current standard for compilation engagements (CSRS 4200) became effective for periods ending on or after December 14, 2021, replacing its predecessor (Section 9200). Compared to the predecessor standard, the current standard introduced more extensive documentation requirements for firms performing compilation engagements. As a result, a higher rate of non-compliance with the compilation engagement standard was observed following its implementation than had historically been noted under the predecessor standard.

Both non-assurance and assurance firms performing compilation engagements were found to not comply with the compilation engagement standard, although rates of non-compliance are higher in non-assurance firms.

Compliance with the compilation standard has steadily improved since its implementation in 2021; however, compilation engagements remain a common area of deficiency for non-assurance firms. In the past year, 11% of non-assurance firms and 4% of assurance firms that performed compilation engagements were assessed as non-compliant with the standard. For non-assurance firms, this is consistent with the prior year (11% in 2025) but a significant improvement from the year prior (20% in 2024); assurance firms remained steady at 4% in all three fiscal years.

While improvements in the implementation of the standard are noted, there are still some common deficiencies as follows:

- The basis of accounting was not adequately described in the note to the compiled financial information, which could make it difficult for users to understand how the compiled financial information was prepared (CSRS 4200.30);
- Engagement acceptance and continuance requirements were not complied with, which requires the practitioner to make inquiries of management regarding the intended use of the compiled financial information and to obtain an acknowledgment from management of the expected basis of accounting, prior to accepting or continuing the engagement (CSRS 4200.24);
- A description of the entity's business and operations, accounting system and records, and basis of accounting and accounting policies used in the preparation of the compiled information were not documented (CSRS 4200.29);
- An acknowledgment from management or those charged with governance, as appropriate, that it had taken responsibility for the final version of the compiled financial information was not obtained (CSRS 4200.35); and
- The compilation engagement report was dated before the practitioner had completed the engagement, which includes obtaining the acknowledgment from management or those charged with governance, as appropriate, that it has taken responsibility for the final version of the compiled financial information, prior to dating the report (CSRS 4200.40).

When documenting these requirements, it is important to consider whether the file documentation is sufficient for an experienced practitioner with no previous connection to the engagement to understand how those requirements were met and complied with. This may include documenting details of discussions that occurred including what was discussed, with whom, and on what date, or retaining final versions or signed documents as part of the completed engagement file.

FINANCIAL STATEMENT DEFICIENCIES

For assurance files, a practice review is performed of both the completed engagement file and corresponding financial statements. Financial statement deficiencies represent material misstatements related to the recognition, measurement, or disclosure of information included within the financial statements. The following are those that are commonly observed:

Accounting Standards for Private Enterprises	Accounting Standards for Not-for-Profit Organizations
• Callable debt was not classified as a current liability, and there was no evidence in the file to support the long-term classification (Part II; 1510.13); • Assets that were long term in nature, including amounts receivable with no fixed terms of repayment, were classified as current assets (Part II; 1510.03); • Retractable or mandatorily redeemable shares in a tax planning arrangement were not classified as a financial liability when the conditions for equity classification were not met (Part II; 3856.23, .23A); • A single financial statement was prepared in accordance with the financial reporting provisions outlined in a grant funding agreement; however, note disclosure indicated that the financial statement was prepared in accordance with Canadian generally accepted accounting principles (Part II; 1400.16); and • An opening balance sheet was not presented at the date of transition to accounting standards for private enterprises, and there was no note disclosure of the transition to the new accounting standards (Part II; 1500.04).	• Restricted cash not available to meet current obligations, including funds restricted for capital expenditures, were presented as current assets (Part II & III; 1510.07, 4400.21); • Tangible capital assets were not amortized in a rational and systematic manner appropriate to the nature of the item (Part II & III; 3061.16, 4433.05); • No disclosure of the revenue recognition policy for revenues other than contributions (Part II; 3400.31); • No disclosure of the nature and amount of changes in deferred contribution balances for the period (Part III; 4410.53); and • No disclosure of the significant accounting policy used to account for contributed materials and services (Part III; 4410.16, .23).

ASSURANCE ENGAGEMENT DEFICIENCIES

These deficiencies represent a lack of documentation related to required procedures to be performed within an assurance engagement, which could result in material misstatements within the financial statements. The following are those that are commonly observed:

Canadian Auditing Standards	Canadian Standard on Review Engagements
• The substantive audit procedures performed on material classes of transactions and account balances were not documented (CAS 330.18, .25-.28, 500.6); • Journal entries were not tested for unauthorized entries and management override (CAS 500.9); • Audit sampling was used in the performance of audit procedures, but there was no documentation of the sample design, sample size, and selection of items for testing (CAS 530.6-.8); • Analytical procedures were not performed near the end of the engagement to ensure the financial statements were consistent with the auditor's understanding of the entity (CAS 520.6); and • The assessment as to whether an engagement quality review was required on the engagement was not documented (CSQM 1.34(f)).	• Inquiry and analytical procedures performed on material items and/or areas in the financial statements where material misstatements were likely to arise were not documented (CSRE 2400.46); • Required inquiries of management and others within the entity were not documented or did not include all required inquiries; for example, the existence of any actual, suspected, or alleged fraud or illegal acts, subsequent events (CSRE 2400.47); • Documentation of an understanding of the entity did not include the entity's accounting systems and accounting records (CSRE 2400.43-.44); • Areas in the financial statements where material misstatements are likely to arise were not documented (CSRE 2400.45); and • For an initial review engagement, documentation did not include evidence that the opening balances did not contain misstatements that materially affected the current period's financial statements (CSRE 2400.15(h), .55).

CONCLUSION

The Practice Review program supports CPA Alberta's mandate to protect the public by promoting high-quality professional accounting services and fostering compliance with professional standards. Through a balanced approach that combines regulatory oversight with education and guidance, the program helps firms strengthen their systems of quality management and enhance the quality of services provided to clients. While this article does not address every circumstance that may result in non-compliance, understanding common deficiencies can assist firms in evaluating and improving their practices, identifying professional development opportunities, and reinforcing their knowledge and application of relevant professional standards. Through ongoing assessment and continuous improvement, firms can build stronger systems of quality management that support both regulatory compliance and the public interest.

QUESTIONS

If you have any questions or require more information about the Practice Review program, please contact Melanie Garon CPA, Director, Practice Review at practicereview@cpaalberta.ca. General questions about other issues related to professional services should be directed to CPA Alberta's Member Advisory team at advisory@cpaalberta.ca.