

CANADIAN PUBLIC ACCOUNTABILITY BOARD  
CONSEIL CANADIEN SUR LA REDDITION DE COMPTES



# The International Symposium on Audit Research

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# Agenda

- CPAB Mandate/Strategic Direction
- State of Auditing in Canada
- Transition to CAS/IFRS
- Major Policy Issues and Discussion Impacting Auditing
- Discussion

# CPAB Mission, Vision, Value Proposition

- Mission - to contribute to public confidence in the integrity of financial reporting of public companies in Canada by effective regulation and by promoting quality, independent auditing.
- Vision – to be viewed domestically and internationally as a world class audit regulator.
- Value Proposition – disciplined inspections and penetrating insights which appreciably enhance audit quality.

# CPAB's Overall Inspection Coverage

Firms Subject to CPAB Oversight As of November 30, 2010	# of firms	Market Capitalization (\$M)
Inspected annually (over 100 RIs)	15	\$2,323,107
Inspected bi-annually (50 – 100 RIs)	8	10,942
Inspected tri-annually (6 or more RIs)	55	7,522
Other inspections (less than 6 RIs)	10	1,508
Desk inspections (2011)	25	671
Inspected by provincial regulators	57	263
Foreign firms primarily inspected by foreign audit regulators	69	88,833
Registered Canadian firms with no RIs	27	
Registered Foreign firms with no RIs	39	
<b>Total</b>	<b>305</b>	<b>\$2,432,846</b>

# Overall Inspection Statistics - 2010

Big Four firms inspected annually	4
Other firms inspected annually	11
Other regional or local firms (12 first-time)	25
Total	40
Number of audit files reviewed	232
Number of restatements or potential restatements	21
Firms that have requirements in place	5

# Main Themes in the Public Report

- Audit quality generally sound
- Zero tolerance for audit deficiencies
- Enhanced engagement supervision and review
- Heightened professional scepticism
- Coaching, mentoring and real-time reviews
- Strengthen the role of the EQCR
- Audit Committees play a role in improving audit quality

# Communication with Audit Committees

- **Communications with those Charged with Governance**  
**CAS 260 requirements:**
  - Auditor needs to establish and evaluate a two way communication process
  - Auditor needs to communicate on a timely basis
  - More rigorous documentation requirements for the auditor
- **How can audit committee effectiveness be improved?**

# 2011 Inspections

## CAS Focus Areas

CAS		New Requirement
540	Auditing Accounting Estimates	<ul style="list-style-type: none"> <li>• Risk assessment - gain understanding of management's process for making estimates &amp; review the outcome of prior period estimates</li> <li>• High estimation uncertainty could indicate significant risk</li> </ul>
600	Group Audits	<ul style="list-style-type: none"> <li>• Many new requirements relating to materiality, risk assessment, reporting</li> <li>• Access to information on significant equity accounted investments can be an issue</li> </ul>
530	Sampling	<ul style="list-style-type: none"> <li>• No requirement to use sampling but if do so need to follow new standard</li> <li>• Extensive new requirements</li> </ul>

# IFRS Readiness and Concerns

- **Insurance industry – very concerned and vocal**
- **Rate regulated and Investment Companies deeply concerned**
  - **Rate regulated now permitted to use US GAAP until at least 2014**
- **Discussions re IFRS is the increase in number of acceptable alternatives**
- **Readiness of the audit profession**
  - **Big 6**
  - **Mid term**
  - **Small**

# Audit Policy Debate

- **Audit Policy Matters Being Debated**
  - Role of the Auditor
  - Are Audits fit for the purpose?
  - Auditor's Reporting Model
  - Discussion Papers
    - IAASB (June)
    - PCAOB (June)
    - EU Green Paper (November)

# Challenges for 2011 and Beyond

- **Transition to CAS/IAS**
- **Transition to IFRS**
- **Complexity of Standards**
- **New Standards Being Considered**
- **Discussions re Scope/Audit Reporting Model**
- **International Independence Standards**

# Discussion