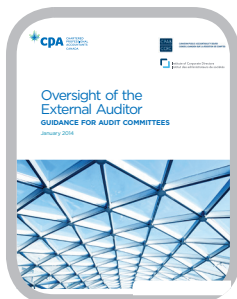


# Guidance and Tools for Audit Committees

Chartered Professional Accountants of Canada (CPA Canada), the Institute of Corporate Directors (ICD) and the Canadian Public Accountability Board (CPAB) worked with a group of experienced audit committee members and have issued new publications designed to encourage open and candid discussions about audit quality.

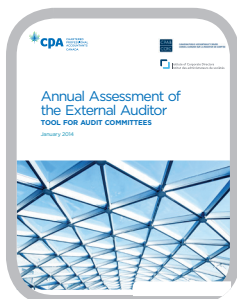
These publications include an overview on audit committee oversight of the external auditor and two companion tools to assist audit committees to conduct an annual assessment of the external auditor and a periodic comprehensive review of an audit firm. CPAB has also developed a separate protocol to increase the amount of audit inspection information available to audit committees.

Now your audit committee will have more information and practical tools to assist them as they discuss auditor performance with a focus on audit quality. Here is what you need to know about the different publications:



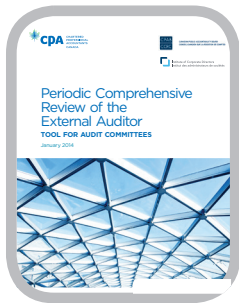
## **Oversight of the External Auditor – Guidance for Audit Committees**

- Summarizes certain audit committee responsibilities and activities that help audit committees meet those responsibilities.
- Presents best practice guidance for each activity.
- Promotes consistent audit committee performance that fosters audit quality and enhances the financial reporting process.



## **Annual Assessment of the External Auditor – Guidance for Audit Committees**

- A practical tool for effectively performing the key oversight activity of annually assessing the effectiveness of the auditor.
- Promotes robust annual assessment activities that support the audit committee's recommendation to the board on whether to reappoint the auditor for a further year.
- Helps identify opportunities for improvement by the auditor, and the audit committee.



### **Periodic Comprehensive Review of the External Auditor — Guidance for Audit Committees**

- A practical tool for effectively performing this key oversight activity.
- Deeper and broader than an annual assessment, a comprehensive review focuses on the audit firm, its independence and professional skepticism.
- Helps identify significant trends and the impact of tenure on the audit firm's performance.



### **Protocol for Audit Firm Communication of CPAB Inspection Findings with Audit Committees**

- Protocol sets out how audit firms communicate CPAB's inspection findings to audit committees, for inspections that begin on or after March 1, 2014.
- Provides the audit committee with additional useful information about audit quality from the regulator's perspective.
- Enables audit committees and auditors to have open and candid discussions about audit quality so that audit committees are more effective in their oversight of the auditor.

## **Why is this important for audit committees?**

- Audit quality is increasingly in the spotlight as a key element of the financial reporting process.
- With effective oversight of the work of the auditors, audit committees can contribute to the audit's overall quality while safeguarding the auditor's independence.
- Facilitates integration of the knowledge and concerns of the audit committee into the audit process.
- These new publications offer significant benefits for audit committees including:
  - Improved communications with their auditors
  - Augmented understanding of risk and control issues
  - Better alignment of the audit process with principal business and financial reporting risks
  - Improved feedback to management, and
  - Enhanced quality of financial reporting.

## **What should audit committees be doing now?**

- Read these publications and attend available education sessions.
- Consider how your committee meeting agendas and cycles might be affected.
- Discuss the documents with your auditors.
- Alert senior management that their input will also be required.

## **Where can you find out more?**

For more information and to download, visit [www.cpacanada.ca/enhancingauditquality](http://www.cpacanada.ca/enhancingauditquality) or contact [auditquality@cpacanada.ca](mailto:auditquality@cpacanada.ca).