



Focus on Audit Committees

Top 10 Questions For Your Auditor



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If you sit on an audit committee, here are 10 questions to ask your auditor as you prepare for your 2013 audit

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Better 2012 inspection results

The Canadian Public Accountability Board's (CPAB's) 2012 inspections of auditors that audit public companies in Canada showed an **overall improvement in audit quality**, with a 30 per cent decline in audit deficiencies, compared to 2011. **Find out more**

Consistent audit execution is the key

Audit firms that implemented **effective action plans** after CPAB's disappointing 2011 inspection results **achieved greater improvement** in audit quality. Firms that provided on-site support to the audit team members in local offices also achieved better inspection results. However, additional effort is required to make sure these improvements are sustainable. **Consistent audit execution is the key** to audit quality.

Top 10 questions audit committees should ask their auditors about their company's 2013 audit

CPAB believes audit committees can be a key contributor to audit quality, through diligent oversight of the work of the external auditor. If you sit on an audit committee, here are CPAB's top 10 questions* you should ask your auditor in connection with your 2013 audit.

1. How is your audit firm addressing the **consistency of execution issue** CPAB raised in its **2012 Public Report**?
2. What are the **business and industry risks** our company is facing that may affect financial reporting?
3. What is your audit firm doing to assess our **risk management processes** that could affect financial reporting?
4. Does your audit firm plan any significant **changes in the scope of the audit** compared to last year, and, if so, please provide details, including identifying the high-risk areas of our audit, and describing your firm's audit approach to them?
5. What are some of the different business practices, customs and governance matters that have been identified by the auditors

responsible for auditing components of our company **operating in foreign jurisdictions**, and how is your audit firm mitigating these risks?

6. What areas represent the company's **significant tax exposures** and are there any jurisdictions where our tax rate is so abnormally low that it could cause reputational risk?

7. Which areas of the company's operations does your audit firm believe are particularly **susceptible to fraud**, how has the firm modified its audit approach to address this risk and how does it determine whether any illegal payments are being made?

8. How is your audit firm addressing **IT risks** in your audit approach and how would the firm rate our IT controls?

9. In what areas is your audit firm maximizing **collaboration with our internal auditors** to fully utilize their knowledge of our risk and operating environments?

10. How would your audit firm characterize the company's **accounting policies** compared to its peers in the industry (aggressive or conservative)?

** The list above is not meant to be exhaustive; other questions may be more relevant to your company.*

Discussion paper on the role of the audit committee

The **Enhancing Audit Quality** initiative, a joint undertaking by CPAB and the Canadian Institute of Chartered Accountants, has issued a discussion paper on the **role of the audit committee** in enhancing audit quality.

Among other things, it includes guidance on factors to consider in the **annual evaluation of the auditor**, as well as more in-depth guidance for a **periodic mandatory comprehensive review** of the audit firm.



Increased transparency of inspection findings

Audit committees have said they want **CPAB's inspection findings to be more transparent**, because it would help them perform their oversight of the audit more effectively. CPAB is currently looking at how it can increase the transparency of its findings to audit committees in a way that would help improve audit quality, while preserving the effectiveness of its regulatory approach.

About CPAB

CPAB is Canada's audit regulator, protecting the investing public's interests. As a world-class audit regulator, focused on excellence, CPAB delivers value to its various stakeholders through effective regulation and by promoting quality, effective auditing. As a champion of audit quality, CPAB contributes to public confidence in the integrity of financial reporting, which supports our capital markets. **Find out more**



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