

CANADIAN PUBLIC ACCOUNTABILITY BOARD
CONSEIL CANADIEN SUR LA REDDITION DE COMPTES



CPAB Protocol for Sharing Inspection Findings with Audit Committees

Webcast for Audit Firms

January 8, 2014

AGENDA

1. Objectives
2. Background
3. The CPAB relationship
4. Protocol – objectives, key considerations, key components
5. Sharing RI file inspection findings
6. Consultation process, applicability and timing
7. Next steps

OBJECTIVES

1. To provide information on:
 - A. Key elements of the draft Protocol
 - B. The anticipated impact of the draft Protocol on CPAB's inspections
 - C. The consultation process
2. To answer questions about the draft Protocol and consultation process

Background

- CPAB's Strategic Plan 2013-15
- Enhancing Audit Quality Initiative
- Audit Committee role in auditor oversight
- Tools for Audit Committees
- Sharing of CPAB inspection findings with audit committees

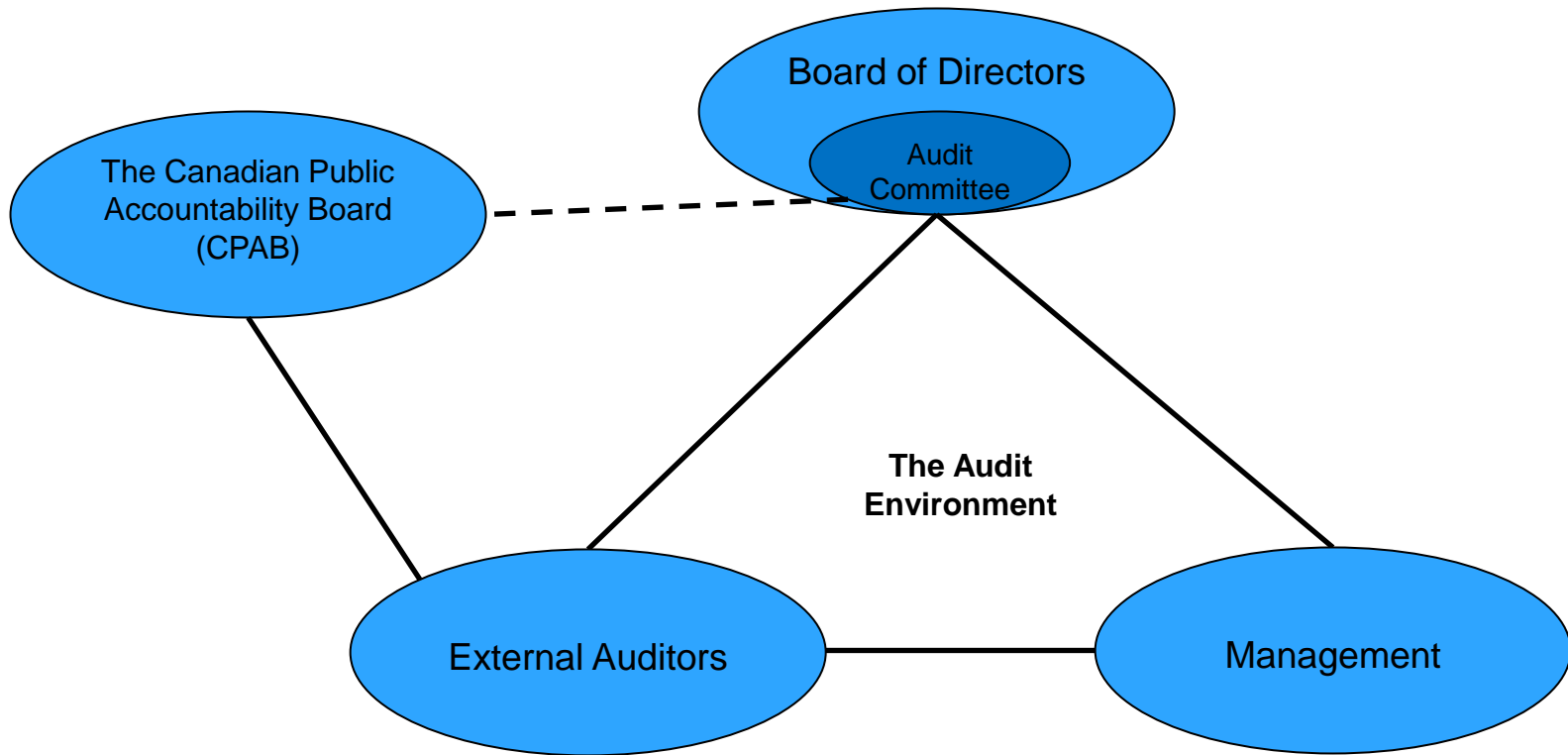
Enhancing Audit Quality: Canadian Perspectives



Sharing Inspection Findings - Overview of Regulatory Approaches

	CPAB (Current)	CPAB (Post Protocol)	US (PCAOB)	UK (FRC)
Public Reports on Inspections	✓	✓	✓	✓
Public Reports by Firm	X	X	✓	✓
RI File Specific Reporting to Audit Committee	X	✓	Written reporting not mandatory	✓

The CPAB Relationship



PROTOCOL: Objectives

- Enhance audit committee oversight of the auditor
- Raise awareness of issues impacting audit quality and the value of a quality audit to capital markets
- Promote continuous improvement in audit quality

Overall objective – to improve audit quality

PROTOCOL: Key Considerations

- Fair and balanced communication of inspection findings
- Maintain confidentiality
- Retain effectiveness of current regulatory model
- Voluntary approach

PROTOCOL: Key components

Communication to Audit Committees:

1. Audit file Reporting Issuer (RI) specific significant inspection findings (if the audit was inspected)
2. CPAB's Public Report

Sharing RI file inspection findings

- Significant inspection findings, firm response and disposition from CPAB's Engagement Findings Report (EFR)
- Sent by audit firm to audit committee with copy to CPAB
- Interaction between the auditor, audit committee and management
- Confidentiality maintained

Sharing RI file inspection findings

Anticipated impact on inspection process:

- No significant changes to the basic inspection process
- Ongoing dialogue about significant inspection issues with the engagement team will continue
- Wording of significant inspection findings in EFR will become less technical to reflect dual audience (Audit Firm and Audit Committee)
 - Examples of the types and wording of findings that could be communicated to Audit Committees under this Protocol can be found in Appendix B to the draft Protocol document

Sharing RI file inspection findings

Anticipated impact on inspection process:

- Timing
 - Issuance of EFR and finalization of inspection
 - Communication of significant findings to audit committee
- CPAB tracking of communication of significant inspection findings
- Impact on Canadian / SEC joint registrants

CPAB's Public Report

- CPAB's Public Report sent to all RI Audit Committees
- Highlights recurring audit quality issues across firms
- Provides basis for dialogue with audit committee on how firm and engagement team are responding to audit quality issues identified in Public Report

CONSULTATION PROCESS

- Protocol issued for public comment late November 2013

The screenshot shows a web browser window displaying the CPAB Protocol consultation page. The browser's address bar shows the URL: www.cpab-ccrc.ca/en/topics/CPABProtocol/Pages/default.aspx. The page header includes the CPAB and CCRC logos, the text "Canadian Public Accountability Board / Conseil canadien sur la reddition de comptes", and a "WHISTLE BLOWER Hotline" banner. The navigation menu contains "NEWS & PUBLICATIONS", "FOCUS BY STAKEHOLDER", "FOCUS BY TOPIC", and "ABOUT CPAB". A search bar is located on the right side of the navigation menu. The main content area is titled "CPAB Protocol" and features a sub-heading "Protocol for Audit Firm Communication of CPAB Inspection Findings with Audit Committees". An orange callout box on the right side of the page reads: "Audit Firms - Register now for a January 8, 2014 webcast on CPAB's draft Protocol". The main text describes the CPAB's request for comments on the draft protocol, its background and objectives, and provides materials for download, including a consultation paper. It also outlines how to submit comments and the deadline for responses (January 24, 2014). The footer of the page indicates that the proposals in the draft protocol may be modified based on comments received and that the protocol will be effective after the conclusion of the public consultation process on or after March 31, 2014. The Windows taskbar at the bottom shows the system clock as 1:35 PM on 07/01/2014.

<http://www.cpab-ccrc.ca/EN/Pages/Protocol.aspx>

CONSULTATION PROCESS

CPAB outreach to stakeholders

- Distribution of Consultation Paper to audit firms, audit committee members, other stakeholders
- Webcast for directors and audit committees hosted by Institute of Corporate Directors (January 15, 2014)
- Ongoing outreach

CONSULTATION PROCESS

Consultation Questions

- Will the information assist audit committees in their oversight role to improve audit quality?
- Will confidentiality be appropriately protected?
- Other comments

Comment letters due **January 24, 2014** at
Consultation@cpab-ccrc.ca

Applicability and Timing

- Proposed to be effective for all RIs in Canada
- Will be effective for all file inspections commencing after the close of CPAB's consultation process and finalization of the Protocol – expected in February 2014

NEXT STEPS

What	When
Responses to the draft Protocol due	January 24, 2014
CPAB evaluates responses	February 2014
Final Protocol published and becomes effective	February 2014

