



MONTRÉAL

Eastern Canada Audit Committee Forum Highlights

The Canadian Public Accountability Board (CPAB) held its second annual Eastern Canada Audit Committee Forum on June 5, 2018.

Cohosted by **Pierre Seccareccia**, audit committee chair for Ivanhoe Cambridge and Boralex, the Forum featured a roundtable discussion about audit quality matters and best practices for audit committees.

Issues facing audit committees

Impact of emerging industries and technologies on governance

New industries (e.g. cannabis) and technologies (e.g. blockchain) bring new challenges to audit committees. The participants discussed what this might mean from a governance perspective.

Finding the appropriate skills and competencies is especially important in the face of rapid advances in technology and emerging industries. It was recognized that the more diverse and comprehensive the competencies of an audit committee, the more effective its governance.

We encourage audit committees to continue to proactively evaluate and adapt their collective skills and competencies to the evolving business landscape.

Talent retention and attraction

Talent was top of mind for audit committee chairs. Increased complexity and developments in technology means new and diversified skillsets are required. For audit committees, attracting and retaining the right candidates is a business imperative to ensure the highest standard of audit of quality. Participants unanimously recognized the potential impact of lack of the right skills and competencies on audit quality.

Audit committees should ensure that their own board members, management and auditors have the right talent to meet their audit quality objectives.

Future of financial reporting

The notes to the financial statements are becoming extensively detailed and complex which may decrease their relevance. Lack of relevance means users may increasingly rely on non-GAAP measures to help inform their decisions. There was discussion among the group on how financial reporting can remain relevant and continue to meet and exceed stakeholder expectations.

Under the expanded auditor's reporting standards, what value-added insights can be provided to investors and other users of the financial statements? The participants shared their views on best practices and lessons learned from other countries, agreeing that a focus on sharing insights and transparency is key to success of the new reporting.

CPAB encourages audit committees to continue to prioritize user expectations to remain impactful and relevant in the market and to drive audit quality.

Developments in audit quality

Trust in audit

When international regulators asked CEOs of the world's largest public accounting firms what is currently top of mind, trust and integrity were at the forefront. In today's global audit community, there is no shortage of examples where audit quality has been questioned. Discussions are continuing in some jurisdictions such as the UK around changes that can improve audit quality including steps to increase competition for large audits and reduce the potential for conflicts of interest. CPAB believes it is important that auditors are paid a fee that results in a strong level of audit quality. Audit committees should be prioritizing audit quality over lowest fees.

Audit Quality Indicators (AQIs)

CPAB believes increased focus on centralized quality management systems at the firm level are important to improve the consistency of audit quality. While most audits we inspect comply with the required standards, recurring inspection themes indicate that weaknesses in quality management systems persist, leading to inconsistent audit execution. Firm policies and processes – at both the leadership and engagement team levels – that manage risk and get the right people working on the right things at the right time, all the time are essential to delivering high quality audits, consistently. In 2018, CPAB implemented a new methodology to assess existing audit quality management systems to help accelerate improvements.

Emerging industries and disruptive enablers

CPAB is keeping an eye on emerging industries, including cryptocurrency and cannabis: guidance on how auditors should be responding to typical audit risks associated with these clients is needed. We recently published [our perspectives](#) on auditing in the crypto-asset sector to help identify some of these risks.

Thank You

CPAB thanks everyone for their participation. We encourage ongoing dialogue and look forward to continuing the audit quality discussion at future events across Canada.

Learn More

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