



Audit Point of view

Realizing the value of expanded auditor reporting

Audit committees should begin preparing now.

Expanded auditor reporting—which will improve audit transparency by moving away from pass-fail reports and providing increased auditor insight into key audit matters—has been on the table in Canada for some time. Although the intention has always been to eventually adopt a Canadian-specific version of the International Auditing and Assurance Standards Board's (IAASB's) new International Standards on Auditing (ISAs), the overwhelming opinion of Canadian organizations was that we should wait for the U.S. response before proceeding, which would also give Canadian audit stakeholders a chance to comment on potential implementation challenges.

The time to wait and weigh is over. In May, the U.S. issued a re-exposure draft on expanded auditor reporting that contained proposals very closely aligned to the international standards. Stakeholders have had their say and the U.S. has clarified its approach, so it's now time for Canada to decide how to proceed—and for audit committees to begin preparing for the transition.

Getting the timing right

Although the U.S. has moved forward with its re-exposure draft, no timeline has been set for adoption. This means the question of when Canada should adopt becomes an important one.



Under one scenario, Canada may set an adoption date of December 31, 2018 for both TSX-listed and non-TSX companies, with early adoption potentially permitted. This timeframe will allow us to see if the U.S. does come up with a specific adoption date and allow us to align with that if possible. This could create a more valuable outcome for Canada given the number of Canadian public companies listed on both Canadian and U.S. exchanges.

How can audit committees prepare

The fact that adoption may be delayed doesn't mean that audit committees should wait to begin understanding the new standards and the impacts they may have on the company and on the future form their own reports will take. Prior to adoption, they should be looking at current audit reports or audit findings reports and asking what their audit committee reports will look like based on the impending standards.

In fact, one of the most consistent suggestions made by stakeholders who responded to the Canadian Auditing and Assurance Standards Board (AASB) was that it might be a good idea for audit committees to release their reports in conjunction with, or even before, auditor reports. This model has been successfully implemented in the UK and helps ensure not only a more robust report, but that auditors are not the first or only ones reporting on key audit matters and related issues. For example, management, audit committees and auditors would all take some responsibility for reporting on internal controls risks.

To prepare for their own reporting responsibilities, audit committees should make every effort to find out what audit findings reports prepared under the new standards will look like. They should be able to easily access such samples, hopefully from a broad international selection, through their audit provider. Certainly, by the time adoption is truly at hand, there will be many samples available. They are coming out of Europe already and a wave of releases should be extant and accessible by the end of this year.

Realizing the value of expanded reporting

While not having early adoption in Canada allows us, first and foremost, to see what the U.S. does and act accordingly, there is another reality at work: auditors also need time to prepare for this challenging transition. Determining what future audit reports will look like and how they can most effectively be presented will take time. No auditor wants to produce a generic report, the avoidance of which was a large part of the impetus for expanded reporting in the first place. To speak to the matters of most importance to the company with true insight, the audit community needs to understand how to best approach and apply the new standards.

For audit committees, those that begin educating themselves now won't face any surprises when the rubber hits the road and they're looking at reports in the new format. This will not only expedite their own review processes, but help ensure that the intent of expanded auditor reporting—to help companies, investors, the public and all other stakeholders better understand and get more value from the audit process—is effectively realized.

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