How Management Contributes to Audit Quality

CPA CHARTERED PROFESSIONAL ACCOUNTANTS CANADA

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Executive Summary

Since the global financial crisis of 2008, there has been a flood of initiatives to find ways to enhance audit quality. These initiatives have been largely focused on the auditor, including how the auditor applies professional skepticism, enhanced transparency in the tendering of audits, and more detailed auditor reporting.

Perceptions of audit quality — what it is and what factors are assessed when determining quality — vary depending on one's perspective. CPA Canada's publication *Enhancing Audit Quality* notes that management may focus on efficiency as well as timeliness and relevance of communications from the audit team; regulators may look at compliance and rigour.[1]

But how can management contribute to the quality of the audit? The reality is that the auditor audits the information received from management. Audit quality is enhanced through the interaction of three parties: the auditor, the audit committee and management (the "three-legged stool"). The commitment and participation of each leg of the stool is needed to enhance audit quality.

CPA Canada and FEI Canada partnered to conduct a study to assess management's understanding of the importance of its role as a contributor to the quality of the annual financial statement audit (herein, audit), The study explored how involved management is today, where management sees room for improvement, and where management identifies opportunities to contribute to audit quality.

This study is comprised of results gathered from an online survey, as well as insights gathered from senior financial executives at both a roundtable discussion and in subsequent interviews. During the roundtable discussion, management identified concerns and frustrations with the audit process. To

1 From CPA Canada's *Enhancing Audit Quality: Canadian Perspectives — Initiative Overview* publication (pg. 6, paragraph A2): **www.cpacanada.ca/en/business-and-accounting-resources/audit-and-assurance/enhancing-audit-quality/publications/eaq-initiative/enhancing-audit-quality-initiative-overview**.

find good practices to mitigate these frustrations, interviews were conducted with senior financial executives that highlighted what they have done to contribute to audit quality. Both audit firm partners and CFOs may choose to consider these findings as good practices that can ensure a mutually satisfactory outcome.

These good practices have been summarized into three key areas and may be of use to other management teams.

1. **Management's processes with respect to the audit.** In order for the audit to run smoothly, management should consider establishing their own internal processes for planning, managing and supporting the audit. These may include:
   a. clearly defining and communicating team roles
   b. delegating responsibilities to all members involved in supporting the audit
   c. having a schedule to support timely responses to auditor requests
   d. holding internal planning meetings to prepare for the audit
   e. holding meetings during and after the audit to seek feedback internally and from the auditor to support an improved audit process in the future.

2. **Planning with the auditor.** Valuable information can be provided to the auditor during the planning phase of the audit to help set the audit up for success. Management has an intimate understanding of its entity and the environment in which it operates and can provide insights with respect to risks and any significant changes that have occurred during the year. Holding a planning meeting with the auditors before the audit begins allows for information sharing and provides an opportunity to reach agreed-upon timelines.

   Even though the overwhelming majority of respondents agreed their auditors had a solid understanding of the entity's financial reporting risks, some respondents felt their auditors' priorities did not always align with the risk areas identified by management. A few respondents indicated they did not know how much time their external auditor spent on any one given aspect of the audit or why certain tasks were being undertaken. These questions highlight an opportunity for both the auditor and management to improve communication and thus increase engagement in the audit process. Some management expressed a desire for more detailed post-audit feedback. This can be planned for in advance and may enhance the value of the current audit and lead to greater efficiencies in future audits.

3. **Relationship with the auditor.** More than half the respondents thought auditors would better understand the entity if they spent more time asking questions of management. Asking questions provides an opportunity for greater collaboration between management and auditors.

   Several financial executives said aiming for a positive working relationship with the auditor may result in a more effective audit process. Establishing a transparent relationship with two-way communication may further support an effective and efficient audit, benefiting both management and the auditor. Management can be clear at the outset about their desire for more feedback, and hence value, from the audit. These approaches support management's desire for greater engagement in the audit process, which is further supported by the survey results. What is clear is that, as management's involvement increases, so does the quality (as judged by management) of the audit. Data analytics may present an opportunity to further enhance audit quality. With management's commitment to providing high-quality data from their systems, and auditors being trained to analyze large data sets rather than rely on samples, auditors can provide deeper insights into the organization's systems and controls, as well as provide more robust performance information for management, generate more effective and efficient interactions among auditors and finance staff and improve audit evidence. All this will result in an improvement in audit quality.[2]

2 From CPA Canada's Audit Data Analytics Audit Client Briefing publication: *Why CFOs Should Support the Use of Data Analytics in the Audit of Their Financial Statements*. www.cpacanada.ca/cfodataanalytics

Research Methodology and Demographics

How Management Contributes to Audit Quality has been prepared by CFERF, the research arm of FEI Canada, and CPA Canada. It is based on the results of an online survey, a roundtable discussion, and one-on-one interviews with CPA Canada and FEI Canada members from across Canada. The survey and roundtable were conducted in October 2016; the interviews were conducted in February 2017. One hundred and fifty-five senior financial executives participated in the survey questionnaire, as outlined below.

- Chief financial officers: 45%
- Controllers: 17%
- Vice-presidents of finance: 13%
- Directors of finance: 11%

Key requirements for participation in the study were that the respondent's organization had had an annual financial statement audit in the last three years and that the respondent had personally participated to some degree in the audit. Eighty-seven per cent of respondents reported they had been actively involved in an external audit in the last three years. The vast majority of respondents (96%) had more than 10 years' work experience and 87% had more than 10 years' experience interacting with their auditors.

Almost half of respondents (46%) worked at private companies, while 34% worked at public companies or their subsidiaries, and the remainder were employed at Crown corporations, in government, at not-for-profits or other organizations.

A wide range of industries is represented in the findings, with one out of five respondents coming from the manufacturing sector. Size of organization also varies, with 49% reporting annual revenue of less than $100M, 34% between $100M but less than $1B; and 12% with sales of $1B or more. Five per cent opted not to disclose their organization's annual revenue. The majority has employees in Canada only (61%), 14% have operations in North America only, and one quarter has a global footprint.

More than three-quarters of respondents engaged one of the seven largest national audit firms to conduct their audits and 88% had been using the same audit firm for three or more years.

The results of the online survey have been enhanced by insights gained during a roundtable video-conference discussion with senior finance executives in Toronto, Vancouver and Montreal. The discussion was held on October 25, 2016.

Further insight was provided by one-on-one interviews with select senior financial executives who shared how they have been able to contribute to audit quality. These interviews were conducted in February 2017.

For the full survey results, see **Appendix A**.

For more detailed demographic information, see **Appendix B**.

For forum and interview participants, see **Appendix C**.

What Does Audit Quality Mean to Management?

Audit quality is a top-of-mind issue for auditors, standard setters, regulators, policy-makers and investors; it should also be top of mind for management in the audit of their financial statements. But what is meant by audit quality?

Perceptions of audit quality among stakeholders varies with their level of direct involvement in audits and the lens through which they assess audit quality. For example, management might focus on such things as the efficiency of the audit process as well as the timeliness and usefulness of communications from the audit team. Regulators, on the other hand, might focus on evidence of compliance with auditing standards and the rigour auditors have demonstrated in dealing with complex accounting issues. Both management and regulators may believe that an audit is of high quality, but for different reasons.[3]

> "Our finance team is an extension of the CFO's office and therefore I have reassurance that I have the appropriate controls in place to ensure my transactions are captured correctly. I'm looking to my auditors for more. Given that we are a public company, I want insight into how to improve the business, not just standard accounting support. I want to make sure I get good value out of the audit."
>
> **Celine Arsenault—Executive Director, Financial Systems and Controller, Northland Power Inc.**

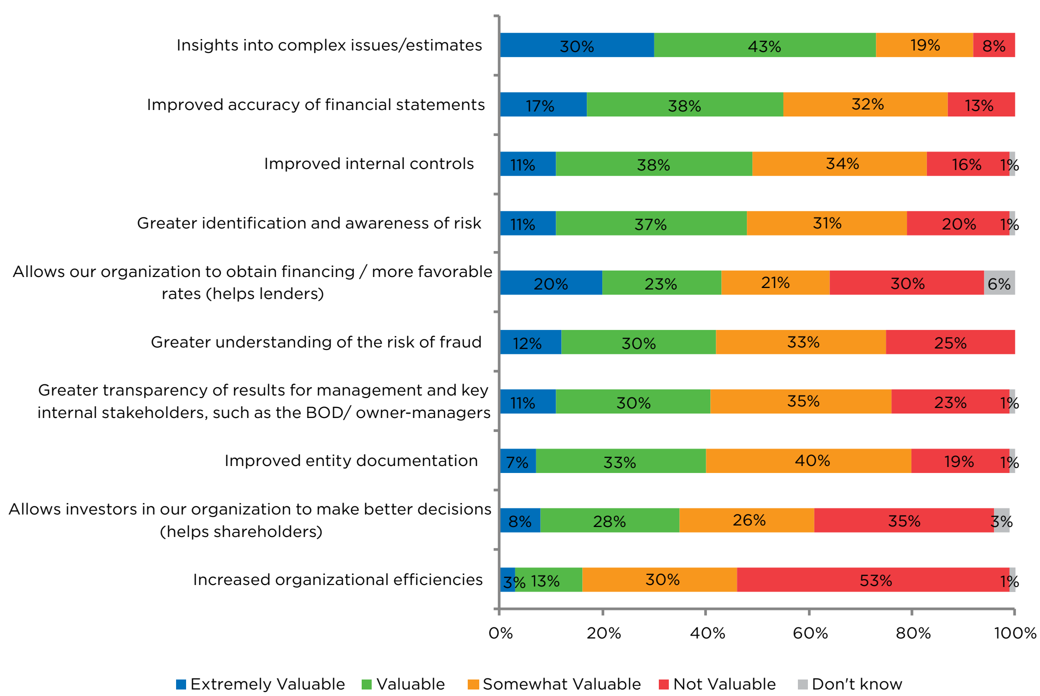
A quality audit goes well beyond the confirmation of the numbers; management and the auditor should identify potential risks or issues and plan how to mitigate or control them. That is the view of Luis Reyes, CFO of Save the Children Canada. He is also quick to point out that this can only happen when management is engaged in the audit process, has ongoing dialogue and enjoys a relationship of trust with the auditor—and vice versa.

3 From CPA Canada's *Enhancing Audit Quality: Canadian Perspectives—Initiative Overview* publication (pg. 6, paragraph A2): **www.cpacanada.ca/en/business-and-accounting-resources/audit-and-assurance/enhancing-audit-quality/publications/enhancing-audit-quality-initiative-overview**.

Hydrogenics Corporation CFO Bob Motz observes that external auditors provide value to the company because the process of providing an opinion allows the auditor to evaluate the company through the unique lens of an audit partner who has gained a lot of experience by seeing many different companies in the course of a fiscal year. The external auditor can thus see beyond whether the accounting is appropriate to the entity and can advise on how to apply best practices in reporting, internal control and so on.

In this survey, senior financial executives were asked how valuable specific aspects of the audit were to their organization. Value was defined as something of importance, worth or usefulness. See Chart 1 below for results:

Chart 1: Valuable Aspects of the Audit



Survey respondents were asked which aspects of the audit were valuable to them. They reported they derived the most value from the following aspects of the audit:

- improved insights into complex issues/estimates (73%)
- improved accuracy of financial statements (55%)
- improved internal controls (49%)
- greater identification and awareness of risk (48%).

Therefore, management may perceive an audit to be of high quality if they receive value in the above-noted areas.

> "I totally agree with the insight to complex issues because we see things through the lens of the organization, but the auditor works for several organizations across industries and they bring that broad perspective and how they apply certain pronouncements and rules and regulations to what we're dealing with."
>
> **Mara Di Pasquale — CFO, Housing Services Corporation**

Roundtable participant Angelo Bartolini, CFO of Altus Group Ltd., is one of those who would like to see more insights into controls. "It comes down to the evaluation of the internal controls and tied to that is an understanding of the business. If there is potential for improvement, it really is along the lines of the auditor having a better understanding of the business, the risk areas, the controls and the effectiveness of the controls."

Roundtable participants had differing views on the survey results regarding value. Several respondents stated they believed some of the work done by the auditor offered little or no value to their entities as it seemed to be done simply to meet Canadian auditing standards or for regulatory reasons.

This division of opinion demonstrates that there is an opportunity for management teams to be more engaged in the process and for improved communication by the auditor. During the roundtable discussion, management expressed a desire for more detailed post-audit feedback. The delivery of such feedback can be planned for in advance and may enhance the value of the audit.

A small number (16%) of respondents says the external audit increases organizational efficiencies (54% say it does not); however, this is not surprising given that this is not the objective of an external audit.

> "My experience has been that they're there to confirm that we're doing what we say we do and that we're doing it well. The auditor is not doing a deep dive into the how of what we do to find efficiencies. That's not their role."
>
> **Brad Cruickshank — CFO, TransCan Leasing Corp.**

> "I value the whole audit process. There's a huge place for it, whether you're public or private, and the quality of the audit does increase if management is more involved. However, at the end of the day, it's management's job to run a good business. The audit function is not meant to improve the business—it can—but that's not the objective."
>
> **Angelo Bartolini — CFO, Altus Group Ltd.**

When respondents were asked whether they believed the audit helped investors make better decisions, 36% said Yes (respondents described the audit as either extremely valuable or valuable) and 35% said No (not valuable). The remaining respondents felt that it was somewhat valuable (26%) or did not know (3%). "Investors want a deep dive in cash flow and business drivers; that's the kind of information that helps them make better decisions, but that's not what the audit does," says Wylie Hui, CFO, Tintina Resources Inc.

Still, the majority of respondents (74%) agreed key stakeholders value the audit. This figure jumps to 95% for respondents from private companies and drops to 64% for respondents from publicly listed companies.

"The audit provides people who are not involved in the day-to-day production or day-to-day finance function a level of comfort. It serves as an external validation and a report card and there's value in that."

David Fischer—Principal, Bluebird Consulting Solutions

"Audit committees are concerned with fees and that the auditor strengthens the safety net by providing an independent assessment of the financial reporting. Anything additional that the auditor provides is secondary. Ultimately financial statements are management's responsibility and not the auditor's."

Jens Ehlers—Financial Executive

"My experience with our auditors over the last five years is that they come in with checklists but then I don't receive much more feedback."

Marc Malouin—Groupe CFO, JSS Medical Research

"The benefit of an audit is that it can identify improvements in how we do things. The auditor looks at things differently than we do. If we can take away improvements for my team, that's awesome. If we can show them a better way, anything that benefits either side, improves the overall quality of an audit."

Susan Campbell—Vice President, Finance, Cineplex Inc.

What is clear is that, as management's involvement increases, so does the quality of the audit (according to 84% of respondents).

How Does Management Contribute to Audit Quality?

Management Processes with Respect to the Audit

Survey respondents were asked in what ways they and their finance teams actually spend time preparing for the audit and how those ways differs from the way they feel their time should be spent.

The findings show that size, structure and geography all play a role in how engaged management is in the audit. Respondents from companies reporting annual revenue of less than $100 million were more engaged in the audit than some of their counterparts from larger organizations. Respondents from private companies were more engaged in all aspects of the audit than respondents in public companies. The same was true of respondents from companies with a Canada-only footprint versus respondents from companies with operations across North America or the globe.

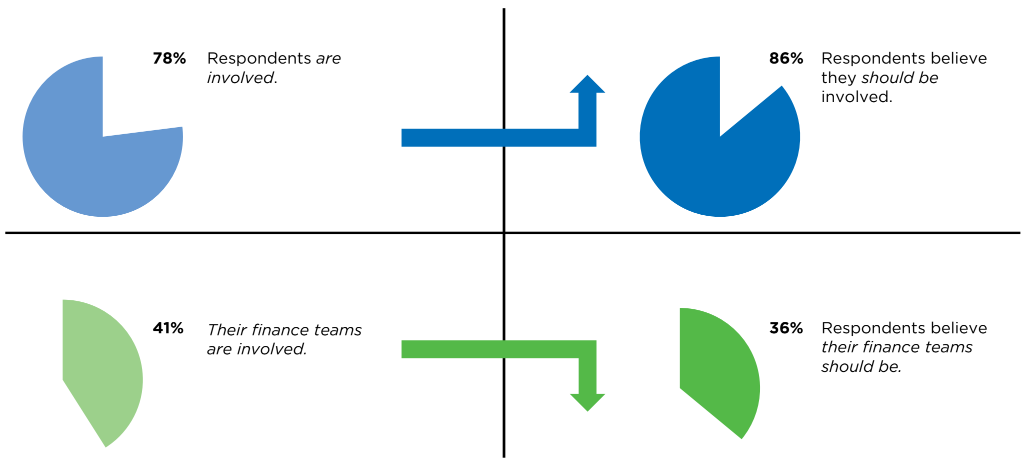
> "Our finance team's involvement is very high. There is no way we could do the audit without the whole team being involved."
>
> **Rose Papastamos—Financial Executive**

Thirty-four per cent of respondents were involved in preparing supporting schedules where only 24% believe they should be. This correlates with the findings that respondents believed 78% of their finance teams were involved in preparing supporting schedules, but 85% should be. This shows room for a shift in the preparation of schedules from senior management to the finance team to create more of a group effort.

"There is always a conflict between the time needed for the day-to-day operations and proper control and reconciliation of accounts for the audit. One of the key things is to give the latter the proper priority and resources so they are always up to date. If things are up to date, doing this at year end is not a major undertaking. If you find that things have not been done for a few months, trying to prepare things in two weeks is difficult."

Luis Reyes—CFO, Save the Children Canada

Chart 2: Discussions with the Audit Committee and/or Board of Directors Regarding the External Audit Findings



Several roundtable participants took exception to this finding. They made the case that members of the finance team other than the CFO should occupy an important place at the boardroom table because of their knowledge and involvement in the day-to-day activities of the entity as well as their work with auditors.

"I see the finance team as an extension of the office of the CFO. They are the eyes and ears of the stakeholders. The finance team is as responsible as management and the CFO in ensuring the financial controls are in place and they are there to support management when we do have discussions with the board. They need to be there to support the office of the CFO."

Marc Malouin—Groupe CFO, JSS Medical Research

Chart 3: Assessment of Risks of Material Misstatement

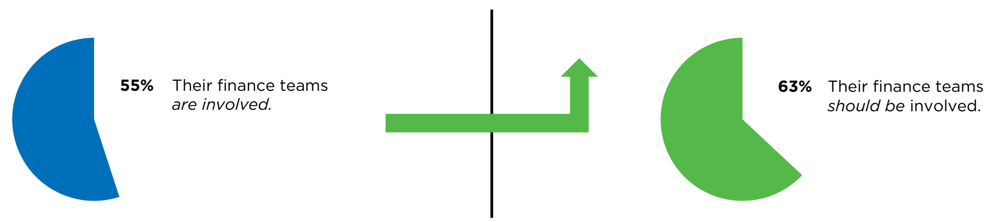
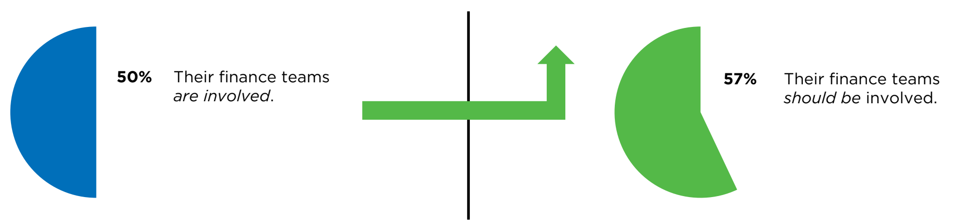


Chart 4: Involved in the Assessment of Fraud Risks



Fraud was a topic of particular interest during the roundtable discussions. Participants tried to ascertain the right balance between management's input and the auditor's assessment of the risk of fraud. As Internal Audit Director at Fujitsu North America, Danielle Parent prepares quarterly internal audit questionnaires for management to find out whether they are aware of any fraud or potential or fraud. "I often stumble on grey areas and share this information with the external auditors. They are able to look at my major findings and focus on those areas."

While management may provide input to the auditor regarding the risks of material misstatement due to fraud, the auditing standards are clear: the primary responsibility for the prevention and detection of fraud rests with both those charged with governance and management.

Respondents were asked to estimate the amount of time their finance team spent on the preparation of the entity's audited financial statements and the amount of time needed to prepare for the actual audit and to support the auditors. The results indicate that finance teams spend about the same amount of time working on their entity's annual external financial statements as they do working with the external auditor and preparing for the audit. How they allocate that time is also similar.

> "We spend a lot of time on financial reporting and revenue recognition, which is critical and to which we have dedicated resources. We address fraud by ensuring we have proper controls in place throughout the year and have a proper review process."
>
> **Angelo Bartolini—CFO, Altus Group Ltd.**

What are the successful ways management can plan for the audit? One approach that may contribute to audit quality is for management to establish its own internal process for planning, managing and supporting the audit. Clearly defining and communicating team roles and responsibilities for all members involved in supporting the audit is a good place to start.

At Save the Children Canada, roles are clearly defined. The controller, supported by accounting staff and the finance manager, is the main day-to-day interface with the auditor. When it comes to certain key aspects of the audit, such as explaining the operations of the organization and any significant changes in the last year, the responsibility moves to the CFO.

At Hydrogenics Corporation, management has also implemented a quality management process for doing the audit. "Everybody knows their responsibility. If anyone drops the ball or deadlines are missed, it's logged. We'll then look at the process, the schedule and workloads to ensure it doesn't happen again next year," says Bob Motz, CFO.

At Cineplex Inc., senior members of the finance team meet quarterly with the audit committee to identify and highlight potential issues that could impact future reporting.

> "Management, the audit committee and the auditors spend time on issues that may not be relevant now but could be three quarters from now in order to avoid any problems. As we go through the quarters, for critical matters, we are proactive on taking them through these issues and agreeing on a position, well before we have any kind of clock ticking against us."
>
> **Gord Nelson—CFO, Cineplex Inc.**

As important as planning and monitoring the process is, follow-up after the fact to improve future audits is just as important. With each audit (both during and after) Elena Lokchina at architectsAlliance walks her team through lessons learned, which are then incorporated into future work in the form of work instructions, new procedures or better workflow organization, for example. She also provides feedback to the auditors. "It's important we share what we would like them to improve, as well."

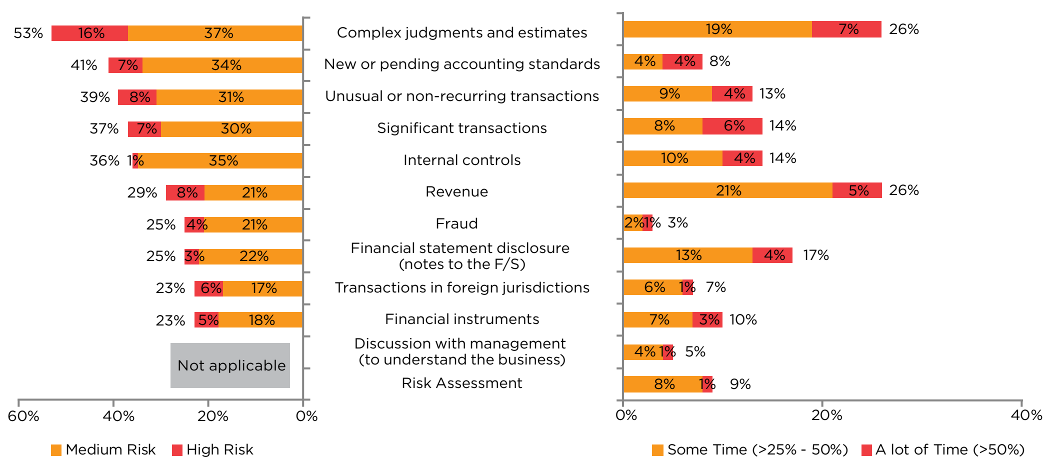
Planning with the Auditor

Valuable information can be provided to the auditor during the planning phase to help set the audit up for success. Management has an intimate understanding of its entity and the environment in which it operates and can provide insights with respect to risks and any significant changes that have occurred during the year. To that end, respondents were asked what the level of risk was that there could be a material error/deficiency in their financial statements related to specific areas (see Chart 5 below for medium- and high-level risk areas). Respondents were also asked in what areas they felt their external auditors spent their time, including time spent clarifying questions with management in the following areas (see Chart 6 below for medium- and high-risk areas).

The types of transaction an entity has in a given year, the nature of the business and where that business is conducted are all factors that impact where the risk of a material misstatement may arise and where auditors will spend their time. That said, the findings reveal that respondents do not believe their priority areas always align with those of their auditors.

Chart 5: Medium - High risk of material misstatement:

Chart 6: Where External Auditors spend some or a lot of their time:



For example, the top risk areas for material misstatement in financial statements identified by respondents are:

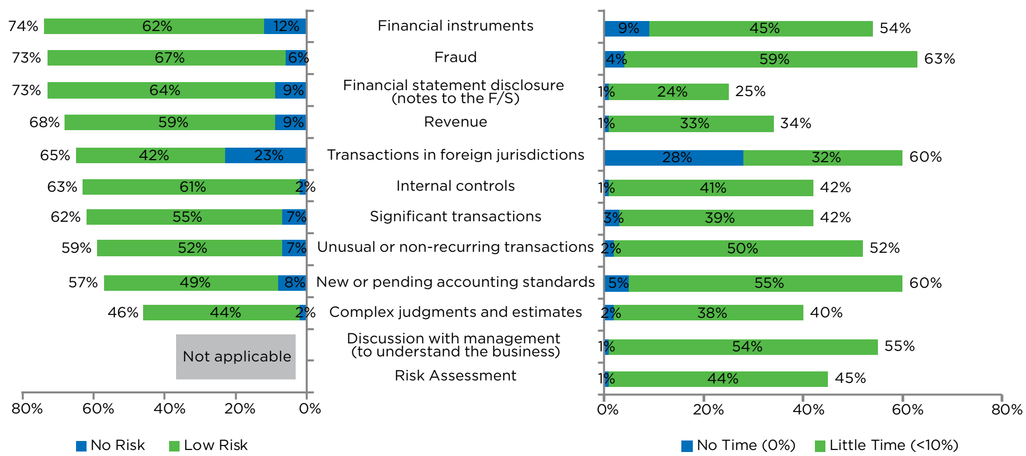
- complex judgments and estimates (53% of respondents say this is a medium to high risk)
- new or pending accounting standards (41%)
- unusual or non-recurring transactions (39%).

The top three areas where respondents believed their auditors spent some or a lot of their time are:

- complex judgments/estimates (26%)
- revenue (26%)
- financial statement disclosure (17%).

Chart 7: No - Low risk of material misstatement:

Chart 8: Where External Auditors spend little or no time:



Respondents felt that auditors and their finance teams appeared to be spending little to no time on the following three areas:

- Fraud (63%): This may be because management either believes there is no fraud or may not be fully aware of the auditor's procedures to address the assessed risks of material misstatement due to fraud.
- New or pending accounting standards (60%): This may be dependent on whether or not there are any new standards applicable to the year of the audit.
- Transactions in foreign jurisdictions (60%): It should be noted that the majority of respondents (61%) operate in Canada only.

"The auditors have an important role in assessing how well the company protected against fraud, but ultimately it's management's responsibility to make sure that the appropriate controls are in place to prevent fraud in a cost effective manner."

Pat Di Lillo—Vice President, Chief Financial and Administrative Officer, Birks Group Inc.

It is important to note, however, that the amount of risk and the time an auditor spends in any particular area are not necessarily correlated. Auditors may be able to perform procedures for certain significant risks in relatively little time. For example, if there is only one unusual transaction and it is not complex, an audit of the transaction may not take a significant amount of time. Still, the auditor would likely agree this is an important risk.

How can management plan successfully with the auditor? Holding a planning meeting with auditors before the audit begins allows for information sharing and provides an opportunity to set agreed-upon timelines. A planning meeting also allows management and the auditors to discuss the assignment of audit team members and ensure the members assigned have sufficient experience to deal with the significant risks of the organization.

When management was asked to estimate the degree of involvement they and their finance team had in audit-related activities, the number one activity was to provide the auditor with an understanding of the entity and its operations (94%). This is in line with where management believed they should be spending their time and demonstrated the importance of sharing information with the auditor openly and efficiently in advance by way of the planning meeting. The overwhelming majority of respondents agreed their auditors understood the financial reporting risks faced by the entity (93%) and that they understood the entity's internal controls (91%). This high level of understanding could in part be due to the time management spent explaining the business to its auditor.

About one month before architectsAlliance's year end, CFO Elena Lokchina meets with the auditors to create a plan and a schedule. Leading up to this meeting, she keeps the auditor up to date with any concerns or changes that have occurred during the financial year.

> A number of years ago we instituted a kick-off meeting. The first day they come on site, we do a formal presentation of the income statement and balance sheet with flux analysis and discussion of any type of accounting issue we think are relevant. We put all our cards on the table and share with the external auditor the flux and the reasons for the flux so that everything is put to rest on day one. They can then identify upfront where they want to do more work. Thirty to 35 people are in the room, the entire audit team and 15 members of our finance team.
>
> **Gord Nelson—CFO, Cineplex Inc.**

> "Many times the auditors coming in are new. Even though our systems are well documented in their working papers, I think it's important to walk them through and explain where we think there might be issues. I really believe that's management's responsibility."
>
> **Mara Di Pasquale—CFO, Housing Services Corporation.**

"Many of the auditors are very junior. They may be able to catch glaring errors but not issues with efficiencies for example."

Jeff Cook—Senior Vice President, Finance, CBRE Limited

"Definitely engagement starts with a planning meeting. As part of that process, we meet with the chair of our audit committee as well as the audit partner and manager. Many of the audit issues are already identified because they do quarterly reviews throughout the year. At the same time, if something new comes to light such as a complex accounting issue, a fundamental change in our business strategy, an internal control issue or any similar issue that could impact the way the audit is performed, it gets flagged to the audit team right away. The goal is always to have an open and transparent dialogue with the auditor to allow for an efficient and timely audit."

Bob Motz—CFO, Hydrogenics Corporation

Relationship with the Auditor: Improving Communication

More than half the respondents thought auditors spent less than 10% of their time clarifying questions with management to better understand the business. This points to an opportunity for greater collaboration between management and the external auditors.

A small number of respondents did not know how much time their auditor spent on any given aspect of the audit. Roundtable participants pointed to a potential lack of transparency on the part of the auditor in some cases. In these instances, management may have an opportunity for better engagement through probing and asking the auditor for more information throughout the audit process in order to better support an efficient and effective audit.

How can management foster a relationship with its auditors to support a smooth and successful audit? While some senior financial executives may feel it is best to provide the least amount of information necessary to the auditor and not be forthcoming with details unless asked, other management teams feel it is important to be supportive and to set a tone that encourages open and honest communication. "The onus is on management to have an ongoing relationship with the auditor, to be co-operative from day one and not wait for year-end," said David Fischer, Principal, Bluebird Consulting Solutions. Establishing a relationship built on transparency and two-way communication will further support an effective and efficient audit to the benefit of both management and the auditor. "I think what makes our relationship work well is being frank and transparent and not being afraid to tackle the issues together," said Luis Reyes, CFO of Save the Children Canada.

"Over time, it is possible to build a relationship based on trust", said Elena Lokchina, CFO of architectsAlliance. "I am engaged in our relationship and that contributes to the audit quality because we have established trust, which makes the process smoother. We ask for help and try to find solutions together before the audit. We pool our resources to arrive at the best solution."

Management should be clear at the outset about their desire for more feedback (and hence value) from the audit, and should plan ahead to ensure the right people on the audit team are working with the right people in management.

"How the audit is perceived in an organization starts at the top. It's up to you to be a good ambassador for the auditors and explain what they're here to do and what they are not here to do. Absent any kind of learning, the external auditor is going to be viewed as a necessary evil. I think you go a long way to helping and working with the auditors if you spend time with the management team in your various locations globally trying to explain what their true role is, not just being the accounting police. If you have engagement and acceptance from the full board of directors, which includes the non-independent members, like the CEO, then it makes that part of the work of the auditor a lot easier."

Bob Motz—CFO, Hydrogenics Corporation

"It's extremely important we work with our auditors as partners. I see them as an assurance that I'm doing my job properly. For me it is not only the auditor's clean report that I'm looking for. I want them to challenge our valuations, our assumptions, to make sure we thought things through and we have reported what we had to report accurately and effectively. Being engaged and supporting them through their audit process is what creates the value in the external audit process, and this gives the feeling and comfort so that when I certify financial statements my hand doesn't shake."

Pat Di Lillo—Vice President, Chief Financial and Administrative Officer, Birks Group Inc.

"At the end of the day, we want a clean opinion, no surprises. We want to present our financial statements fairly and accurately with enough information that an investor can make a reasonable decision about making an investment in our company. Being transparent with the auditors, having an open dialogue, sharing opinions and resolving issues as they come up as opposed to waiting is key. Everything comes down to trust, transparency, and integrity on both sides. We're in it together even though we have different objectives."

Gord Nelson—CFO, Cineplex Inc.

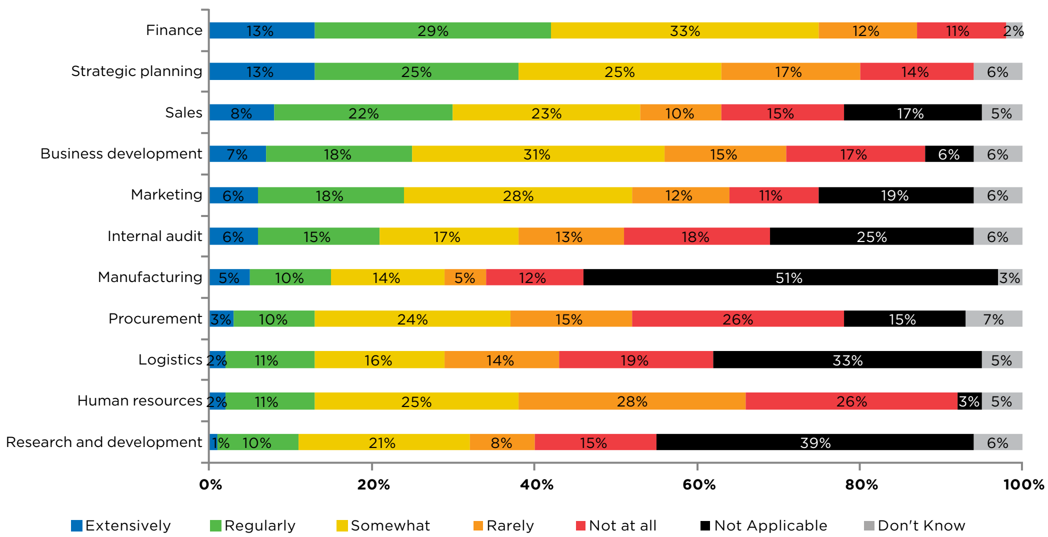
How can Data Analytics Enhance Audit Quality?

The amount of data being produced is multiplying exponentially every year. According to research by IDC, reported in Forbes magazine[4], the amount of data created annually around the world will grow to 180 Zettabytes (or 180 trillion gigabytes) in 2025, up from less than 10 Zettabytes in 2015. IDC also forecasts that the volume of data that can be analyzed will grow by 4.8x from 2020 to 2025 and that actionable data will grow by 9.6x in the same period. Forward-looking organizations are already using Big Data and data analytics to better anticipate what their customers will want, to perform risk analysis, to create new revenue streams and to improve efficiencies. The power is real.

In order to better understand how data analytics is being used day to day, respondents were asked to quantify the extent to which their organizations used it in specific functional areas — see chart 9.

4 "152,000 Smart Devices Every Minute In 2025: IDC Outlines The Future of Smart Things." Forbes. March 3, 2016. Accessed 13.09.2017. www.forbes.com/sites/michaelkanellos/2016/03/03/152000-smart-devices-every-minute-in-2025-idc-outlines-the-future-of-smart-things/#6761d0ca4b63.

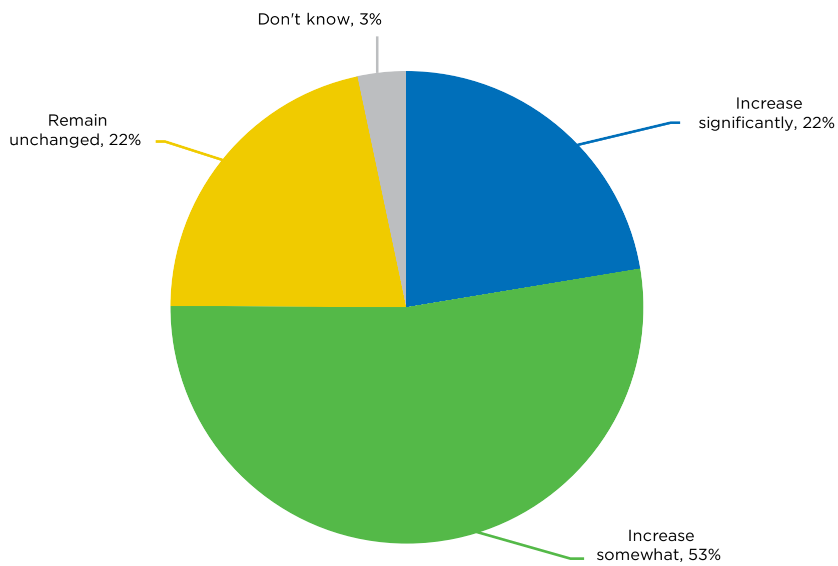
Chart 9: Use of Data Analytics by Functional Area



Interestingly, finance is the function that most regularly or extensively used data analytics, as reported by 42% of respondents. Finance was followed by strategic planning (38%), sales (30%), business development (25%), and marketing (24%) as the top functional areas to use data analytics in a significant way. This may be due to the fact that the respondents are part of the finance team and may not be fully aware of where else data analytics is being used.

While over half the respondents expected the use of data analytics to increase somewhat in the next three years, about 22% expected it to significantly increase in finance and the same number planned to maintain the status quo (see Chart 10).

Chart 10: Use of Data Analytics in the Next Three Years



"Data analytics is paramount to our strategic planning. We try to predict the weather as much as we can, to determine how much energy we will produce, when we are being used on or off peak, forecasting consumption, etc."

Celine Arsenault—Executive Director, Financial Systems and Controller, Northland Power Inc.

"Data analytics was used by our sales and marketing group in conjunction with our strategic planning group. It also gave us an opportunity to evaluate other products that we could sell to our clients. It was very valuable."

Rose Papastamos—Financial executive

"We are using data analytics both to see how to grow our services and within our enterprise risk management systems to present to the board."

Mara Di Pasquale—CFO, Housing Services Corporation

"We're not using data analytics to any great extent. It's not the nature of our business model. We are a project-based organization with large deliverables. We're not churning out millions of widgets into 15 different geographies."

Bob Motz—CFO, Hydrogenics Corporation

Respondents were also asked to what degree their auditors were using audit data analytics and what their expectations were for its use in the next three years. Only about one third of respondents believed their auditors were using audit data analytics in a significant way. Supporting the roundtable participants' view that more transparency is needed on the part of the auditor in this area, about 30% of respondents simply did not know whether their auditor used audit data analytics.

Respondents were asked to what degree they felt their external auditors were using data analytics today (Chart 11) and to what degree they expected audit data analytics will be used in three years (Chart 12).

Chart 11: Current Perceived Use of Audit Data Analytics

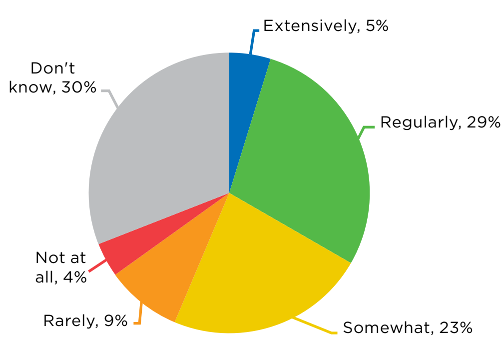
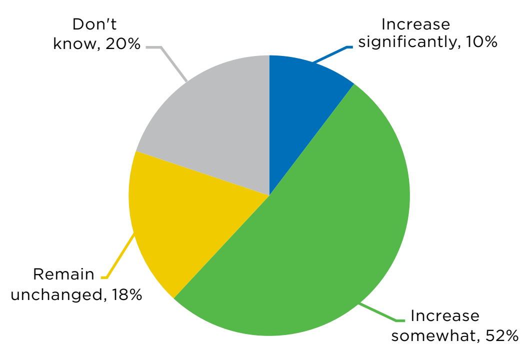


Chart 12: Expected Audit Data Analytics Use in Three Years



Unsurprisingly, the majority of respondents (52%) expect that the use of audit data analytics by their external auditors will increase in the next three years. However, only 10% expect a significant increase and almost 20% do not know what their auditors will do with respect to data analytics. More than half the respondents (57%) agrees there is value in the use of audit data analytics.

"Our auditor is not using data analytics but if there was a way they could use it on a transactional basis to analyze the thousands of real estate transactions we process each year—rather than just examining the really large transactions—and identify entries recorded incorrectly, that would be very valuable."

Jeff Cook—Senior Vice President, Finance, CBRE Limited

"Our auditor does use data analytics and we are open in sharing our data. We are getting better insights into the business and what's been happening. It's also helped enhance the relationship."

Elena Lokchina—CFO, architectsAlliance

> “Our auditors employ data analytics that help us look at our data in a different way. In any accounting or finance department you’re always going to have peaks and valleys in terms of work load. By looking at it on a day-to-day basis, we can see opportunities to spread the work out. There’s interesting information you can get out of your general ledger that isn’t just the numbers that provides different ways to look at how we run the department.”
>
> **Susan Campbell — Vice President Finance, Cineplex Inc.**

Data analytics may present an opportunity to further enhance audit quality. With management’s commitment to providing access to quality data from their systems, ADAs may provide other organizational benefits including deeper insights into the organization’s systems and controls, more robust performance information for management, and more effective and efficient interactions among auditors and finance staff.[5]

What is management’s role in the auditor’s use of audit data analytics? Following the suggested approaches to enhancing audit quality, management can:

- provide access to quality and complete data; the integrity of data used in audit data analytics is very important. Management can include the IT department in its internal planning discussions for the audit to communicate what information is required and who is responsible for preparing the data for the auditors.
- discuss with the auditor what audit data analytics may be performed and make sure the data is available to perform those analytics. This provides the auditor with an opportunity to explain the purpose of the analytics and for management to ask questions so they have a clear understanding of what information is required.
- discuss the results of audit data analytics openly and honestly to enhance the quality of the audit evidence for the auditor as well as to provide insights into the business. Although the auditor’s main objective is to respond to risks of material misstatement in the audit, audit data analytics often reveal matters important to an entity’s operations, including deeper insights into systems and controls, and can even impact strategic decisions.[6]

5 From CPA Canada’s Audit Data Analytics Audit Client Briefing publication: *Why CFOs Should Support the Use of Data Analytics in the Audit of Their Financial Statements*. **www.cpacanada.ca/cfodataanalytics**.

6 From CPA Canada’s Audit Data Analytics Alert publication: *Talking to Your Clients about Data Analytics*. **www.cpacanada.ca/dataanalyticsforclients**.

Conclusion

The external audit process involves a relationship between management, the audit committee and the auditor. As in any relationship, it is more effective when all parties are engaged. Planning, collaboration and open communication from all parties will result in a more streamlined, efficient, and higher-quality audit.

Research participants believed that management's active involvement in the audit process provided an opportunity to help the auditor better understand the business and conduct a more efficient, effective and value-added audit.

While there appears to be some discussion and debate on the value of the audit, most respondents said their stakeholders found the audit valuable. The top-rated aspect of the audit for research participants was the insights it provides into complex issues and the effectiveness of internal controls.

Many senior financial executives saw value in insights obtained by auditor expertise in accounting standards, risk assessment, internal controls and other best practices gleaned from working with other companies. However, several research participants stated they believed other tasks performed offered much less value to management, particularly if the analysis was done primarily to fulfill the requirements of a Canadian auditing standard or for regulatory reasons. It should be noted that, although the feedback may not be useful to management, it is critical for the auditor to do what is required to provide an audit opinion.

Best practices were gathered from study participants and three key areas were identified:

1. **Management's processes with respect to the audit:** One approach is for management to establish its own internal process to plan, manage and support the audit. This may include:
   a. clearly defining and communicating team roles
   b. delegating responsibilities to all members involved in supporting the audit
   c. having a schedule for auditor requests
   d. holding internal planning meetings to prepare for the audit
   e. holding meetings during and after the audit to seek feedback internally and from the auditor to support an improved audit process in future.

2. **Planning with the auditor:** Valuable information may be provided to the auditor during the planning phase to establish timelines and help set the audit up for success. Management may provide insights with respect to risks and significant changes that have occurred during the year. Respondents agreed their auditors had a solid understanding of their financial reporting risks, but some respondents stated they felt their auditor's priorities did not always align with the risk areas identified by management. Some managements expressed a desire for more detailed post-audit feedback, which may be planned for in advance. This feedback may lead to enhanced value of the audit and greater efficiencies in future audits.

3. **Relationship with the auditor:** Several financial executives said aiming for a positive, transparent relationship with good two-way communication results in a more effective audit process and, ultimately, a better-quality audit. Improved communication by both management and the auditor about their expectations for the scope of the audit is key. There is an opportunity for better project management of the process itself for the benefit of all stakeholders. More use of technology (specifically data analytics) can improve audit quality by opening the flow and access to data for the auditor, and thus increasing transparency.

Appendix A —Survey Results

The terms shown are defined as follows:

- **Actively involved**—available on an as-needed basis for all or virtually all meetings, questions, preparation of memos, and provides supporting documentation plus preparation before the arrival of the auditor
- **Somewhat involved**—available for some meetings, questions, preparation of memos, and provides some supporting documentation plus some preparation before the arrival of the auditor
- **Not very involved**—available for very few (or no) questions, meetings, preparation of memos, and provides little supporting documentation plus very little or no prep work before the arrival of the auditor
- **Not involved at all**—not available for questions, meetings, preparation of memos, and provides no supporting documentation plus no prep work before the arrival of the auditor

How involved have you personally been in the following activities related to the external audit?

Question	Actively involved	Somewhat involved	Not very involved	Not involved at all	Don't know
Preparation of supporting schedules/ memoranda based on auditor's requests	34%	29%	18%	18%	1%
Auditor's evaluation of internal controls over financial reporting	44%	35%	13%	8%	0%
Discussions with auditors regarding their inquiries/results of procedures	52%	25%	18%	4%	1%
Auditor's assessment of financial statement disclosures and notes	54%	25%	13%	8%	0%
Auditor's identification and assessment of the risks of material misstatement	56%	24%	14%	6%	0%
Auditor's assessment of fraud risk	61%	23%	10%	6%	0%
Auditor obtains an understanding of your entity and operations	67%	23%	5%	5%	0%
Discussions with the audit committee/board of directors (BOD) regarding the external auditor's findings	78%	8%	6%	7%	1%

How involved has your organization's finance team been in the following activities related to the most recent external audit?

Question	Actively involved	Somewhat involved	Not very involved	Not involved at all	Don't know
Discussions with the audit committee/board of directors (BOD) regarding the external audit findings	41%	15%	18%	25%	1%
Auditor's assessment of fraud risk	50%	29%	13%	6%	2%
Auditor's identification and assessment of the risks of material misstatement	55%	23%	15%	7%	0%
Auditor's assessment of financial statement disclosures and notes	65%	17%	11%	7%	0%
Auditor's evaluation of internal controls over financial reporting	67%	19%	9%	5%	0%
Auditor obtains an understanding of your entity and operations	68%	26%	3%	3%	0%
Discussions with auditors regarding their inquiries/results of procedures	69%	19%	7%	4%	1%
Preparation of supporting schedules/ memoranda based on the auditor's request	78%	15%	3%	3%	1%

How involved should you personally be in the following activities related to the external audit?

Question	Actively involved	Somewhat involved	Not very involved	Not involved at all	Don't know
Preparation of supporting schedules/ memoranda based on auditor's requests	24%	34%	23%	18%	1%
Auditor's evaluation of internal controls over financial reporting	45%	32%	17%	6%	0%
Discussing with auditors regarding their inquiries/results of procedures	49%	35%	12%	3%	1%
Auditor's assessment of financial statement disclosures and notes	54%	27%	14%	5%	0%
Auditor's identification and assessment of the risks of material misstatement	57%	28%	11%	3%	1%
Auditor's assessment of fraud risk	59%	30%	8%	3%	0%
Auditor obtains an understanding of your entity and operations	67%	24%	8%	1%	0%
Discussions with the audit committee/board of directors (BOD) regarding the external auditor's findings	86%	7%	3%	3%	1%

How involved should your organization's finance team be in the following activities related to the external audit?

Question	Actively involved	Somewhat involved	Not very involved	Not involved at all	Don't know
Discussions with the audit committee/board of directors (BOD) regarding the external audit findings	36%	26%	20%	18%	0%
Auditor's assessment of fraud risk	57%	33%	7%	3%	0%
Auditor's identification and assessment of the risks of material misstatement	63%	25%	9%	3%	0%
Auditor's assessment of financial statement disclosures and notes	66%	22%	8%	4%	0%
Auditor's evaluation of internal controls over financial reporting	69%	20%	6%	5%	0%
Auditor obtains an understanding of your entity and operations	65%	31%	2%	2%	0%
Discussions with auditors regarding their inquiries/results of procedures	70%	22%	5%	3%	0%
Preparation of supporting schedules/ memoranda based on the auditor's request	85%	10%	2%	3%	0%

Value may be defined as something of importance, worth or usefulness.

With this definition of value in mind, how valuable have the following aspects of the external audit been to your organization?

Question	Extremely valuable	Valuable	Somewhat valuable	Not valuable	Don’t know
Increased organizational efficiencies	3%	13%	30%	53%	1%
Allows investors in our organization to make better decisions (helps shareholders)	8%	28%	26%	35%	3%
Improved entity documentation	7%	33%	40%	19%	1%
Greater transparency of results for management and key internal stakeholders, such as the BOD/owner-managers	11%	30%	35%	23%	1%
Greater understanding of the risk of fraud	12%	30%	33%	25%	0%
Allows our organization to obtain financing/more favourable rates (helps lenders)	20%	23%	21%	30%	6%
Greater identification and awareness of risk	11%	37%	31%	20%	1%
Improved internal controls	11%	38%	34%	16%	1%
Improved accuracy of financial statements	17%	38%	32%	13%	0%
Insights into complex issues/estimates	30%	43%	19%	8%	0%

What is the level of risk that there could be a material error/deficiency in your financial statements related to the following:

Question	No risk	Low risk	Medium risk	High risk	Don't know	Not applicable
Financial instruments	12%	62%	18%	5%	0%	3%
Transactions in foreign jurisdictions	23%	42%	17%	6%	0%	12%
Financial statement disclosure (notes to the F/S)	9%	64%	22%	3%	0%	2%
Fraud	6%	67%	21%	4%	1%	1%
Revenue	9%	59%	21%	8%	0%	3%
Internal controls	2%	61%	35%	1%	0%	1%
Significant transactions	7%	55%	30%	7%	0%	1%
Unusual or non-recurring transactions	7%	52%	31%	8%	1%	1%
New or pending accounting standards	8%	49%	34%	7%	1%	1%
Complex judgments and estimates	2%	44%	37%	16%	0%	1%

Estimate the amount of time your finance team spends on the preparation of your organization’s annual financial statements (as a % of total number of hours worked in a year):

Answer	%
No time (0%)	0%
Little time (<10%)	31%
Moderate amount of time (10-25%)	47%
Some time (>25%-50%)	13%
A lot of time (>50%)	4%
Don’t know	4%
Not applicable	1%

Of the time your finance team spends preparing your organization's annual financial statements, estimate the amount of time spent on the following:

Question	No time (0%)	Little time (<10%)	Moderate amount of time (10-25%)	Some time (>25%-50%)	A lot of time (>50%)	Don't know	Not applicable
Revenue	4%	42%	33%	9%	5%	4%	3%
Financial statement disclosure (notes to the F/S)	6%	40%	32%	13%	4%	4%	1%
Complex judgments and estimates	7%	49%	25%	10%	4%	4%	1%
Significant transactions	4%	53%	28%	9%	2%	3%	1%
Transactions in foreign jurisdictions	33%	29%	16%	4%	1%	4%	13%
Unusual or non-recurring transactions	6%	59%	21%	6%	4%	3%	1%
Financial Instruments	14%	54%	15%	7%	2%	4%	4%
New or pending accounting standards	17%	55%	16%	7%	1%	3%	1%
Risk assessment	13%	62%	18%	2%	1%	3%	1%
Fraud	22%	62%	11%	1%	0%	3%	1%

In what areas do your external auditors spend their time, including clarifying questions with management in the following areas?

Question	No time (0%)	Little time (<10%)	Moderate amount of time (10-25%)	Some time (>25%-50%)	A lot of time (>50%)	Don't know	Not applicable
Internal controls	1%	41%	36%	10%	4%	8%	0%
Risk assessment	1%	44%	36%	8%	1%	10%	0%
Discussion with management (to understand the business)	1%	54%	33%	4%	1%	7%	0%
Financial instruments	9%	45%	24%	7%	3%	7%	5%
Transactions in foreign jurisdictions	28%	32%	13%	6%	1%	7%	13%
Financial statement disclosure (notes to the F/S)	1%	24%	50%	13%	4%	7%	1%
Fraud	4%	59%	22%	2%	1%	12%	0%
Revenue	1%	33%	32%	21%	5%	7%	1%
Significant transactions	3%	39%	36%	8%	6%	8%	0%
Unusual or non-recurring transactions	2%	50%	28%	9%	4%	7%	0%
New or pending accounting standards	5%	55%	24%	4%	4%	7%	1%
Complex judgments and estimates	2%	38%	25%	19%	7%	9%	0%

Estimate the amount of time your finance team needed to prepare for the audit and to support the external auditors while they conducted the audit:

Answer	%
No time (0%)	0%
Little time (<10%)	29%
Moderate amount of time (10-25%)	37%
Some time (>25%- 50%)	19%
A lot of time (>50%)	8%
Don’t know	5%
Not applicable	2%

Estimate the amount of time your finance team spent on the following while preparing for the external annual financial statement audit (including the preparation of supporting documentation) and while supporting the external auditors during the audit itself:

Question	No time (0%)	Little time (<10%)	Moderate amount of time (10-25%)	Some time (>25%-50%)	A lot of time (>50%)	Don't know	Not applicable
Internal controls	13%	51%	23%	5%	2%	4%	2%
Revenue	7%	39%	28%	14%	4%	4%	4%
Financial statement disclosure (notes to the F/S)	6%	38%	34%	10%	5%	4%	3%
Complex judgments and estimates	9%	45%	26%	11%	3%	4%	2%
Significant transactions	6%	46%	34%	6%	2%	4%	2%
Transactions in foreign jurisdictions	26%	32%	16%	4%	2%	4%	16%
Unusual or non-recurring transactions	3%	58%	23%	8%	2%	4%	2%
Financial Instruments	15%	50%	19%	5%	2%	4%	5%
New or pending accounting standards	21%	52%	19%	2%	0%	4%	2%
Risk assessment	19%	59%	14%	2%	0%	4%	2%
Fraud	28%	55%	10%	0%	0%	5%	2%

To what degree do you agree or disagree with the following statements?

Statement	Strongly agree	Somewhat agree	Neither agree nor disagree	Somewhat disagree	Strongly disagree
Our auditors have a solid understanding of the financial reporting risks faced by the organization.	60%	33%	3%	2%	2%
Our auditors have a solid understanding of our internal controls.	45%	46%	6%	2%	1%
We receive value from the audit that goes beyond the audit report.	13%	44%	24%	14%	5%
The quality of the audit increases when management is more actively engaged and involved in supporting the external auditor during the audit.	57%	27%	13%	1%	2%

Data analytics are used to describe statistical and mathematical data analysis that clusters, segments, scores and predicts what scenarios are most likely to happen, or to identify anomalies in the data. For some, it may be the process of analyzing information from a particular domain; for others, it may be applying the breadth of business intelligence capabilities to a specific content area (adapted from Gartner's IT Glossary).

Given this definition, to what extent is data analytics used in each of the following functional areas of your organization?

Functional Area	Extensively	Regularly	Somewhat	Rarely	Not at all	Not applicable	Don't know
Research and development	1%	10%	21%	8%	15%	39%	6%
Human resources	2%	11%	25%	28%	26%	3%	5%
Logistics	2%	11%	16%	14%	19%	33%	5%
Procurement	3%	10%	24%	15%	26%	15%	7%
Manufacturing	5%	10%	14%	5%	12%	51%	3%
Internal audit	6%	15%	17%	13%	18%	25%	6%
Marketing	6%	18%	28%	12%	11%	19%	6%
Business development	7%	18%	31%	15%	17%	6%	6%
Sales	8%	22%	23%	10%	15%	17%	5%
Strategic planning	13%	25%	25%	17%	14%	0%	6%
Finance	13%	29%	33%	12%	11%	0%	2%

In the next three years, I expect data analytics usage in my finance functional area will:

Answer	%
Increase significantly	22%
Increase somewhat	53%
Remain unchanged	22%
Decrease somewhat	0%
Decrease significantly	0%
Don't know	3%

To what degree are your external auditors using audit data analytics[7] today?

Answer	%
Extensively	5%
Regularly	29%
Somewhat	23%
Rarely	9%
Not at all	4%
Not applicable	0%
Don't know	30%

7 "Audit data analytics is the science and art of discovering and analyzing patterns, identifying anomalies, and extracting other useful information in data underlying or related to the subject matter of an audit through analysis, modeling, and visualization for the purpose of planning or performing the audit." (AICPA Definition, Audit Analytics and Continuous Audit: Looking Toward the Future)

In the next three years, I expect audit data analytics usage by my external auditor to:

Answer	%
Increase significantly	10%
Increase somewhat	52%
Remain unchanged	18%
Decrease somewhat	0%
Decrease significantly	0%
Don't know	20%

To what degree do you agree or disagree with the following statement:

There is value to my organization if external auditors use audit data analytics in the audit of our financial statements.

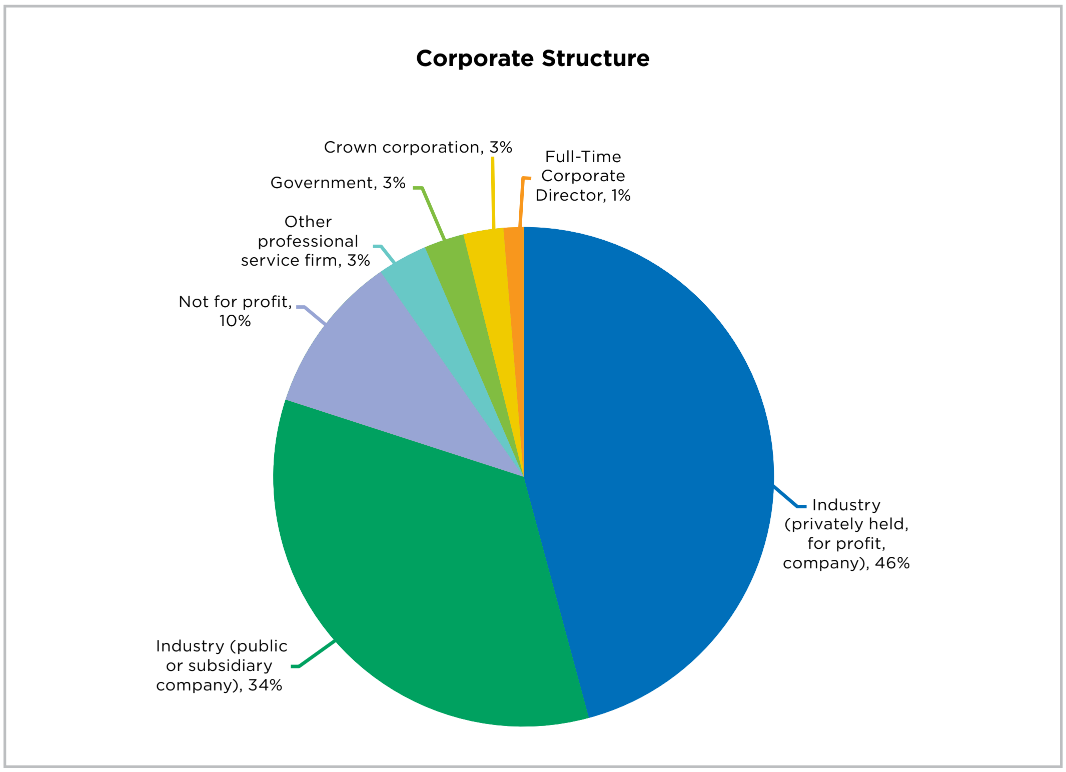
Answer	%
Definitely agree	16%
Somewhat agree	41%
Neither agree nor disagree	25%
Somewhat disagree	5%
Definitely disagree	1%
Don't know	12%
Total	**100%**

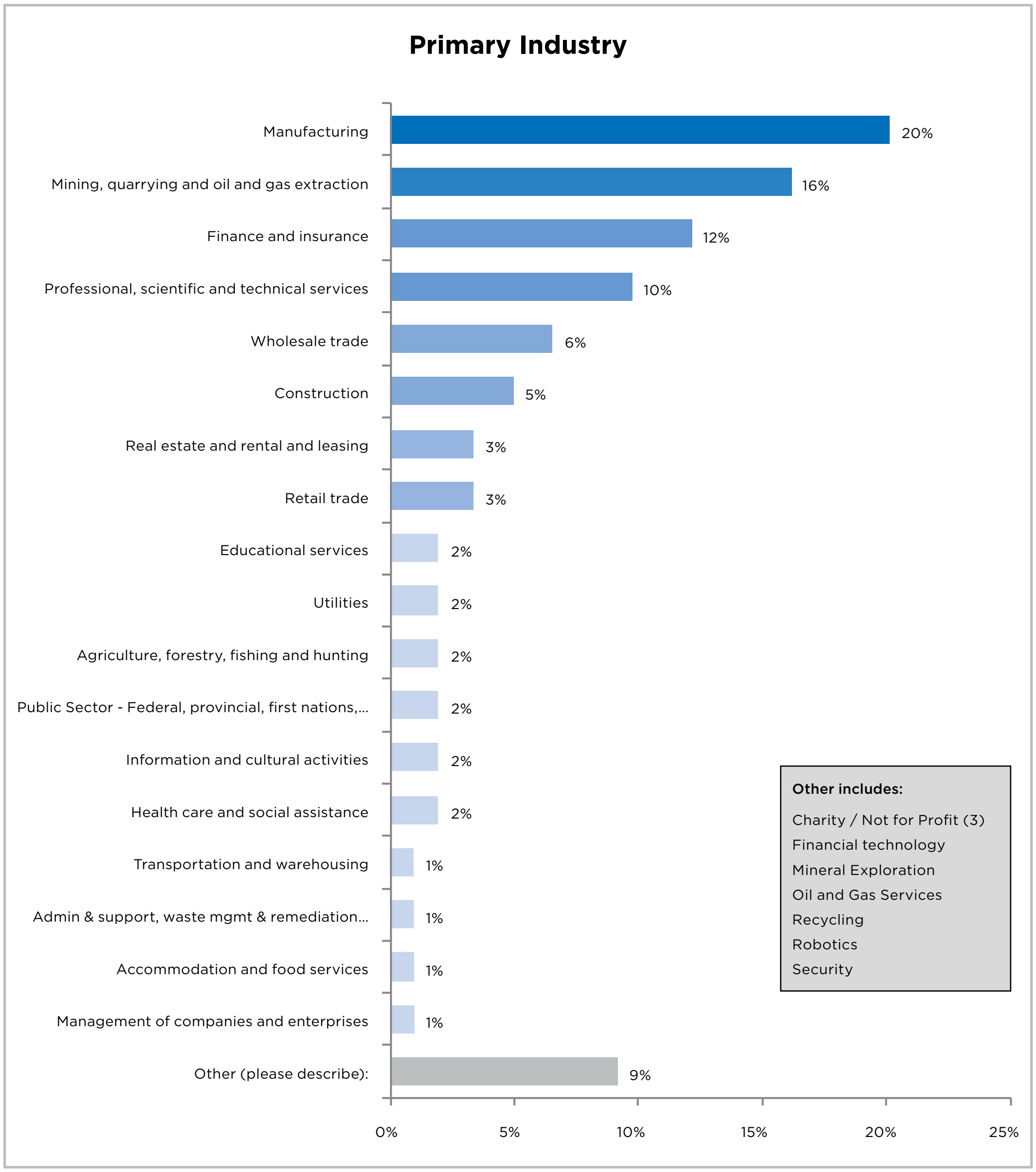
Key stakeholders of my organization value having an audit of our financial statements for their decision-making.

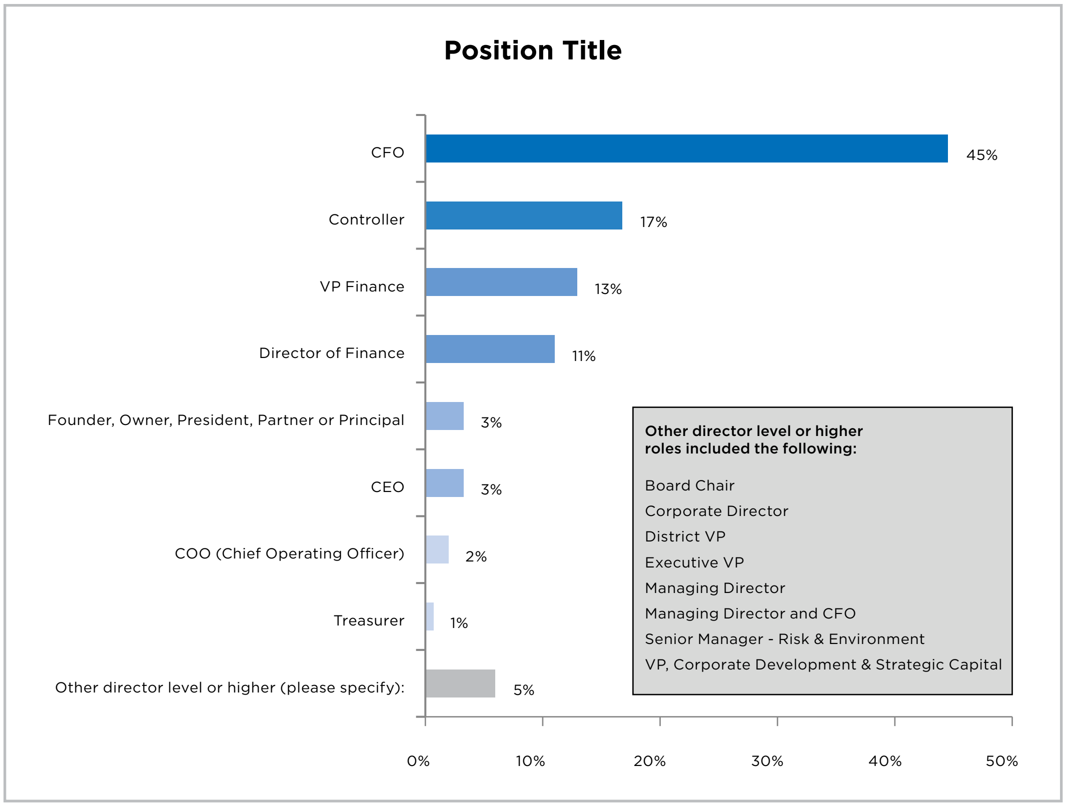
Answer	%
Definitely agree	31%
Somewhat agree	43%
Neither agree nor disagree	11%
Somewhat disagree	9%
Definitely disagree	5%
Don't know	1%

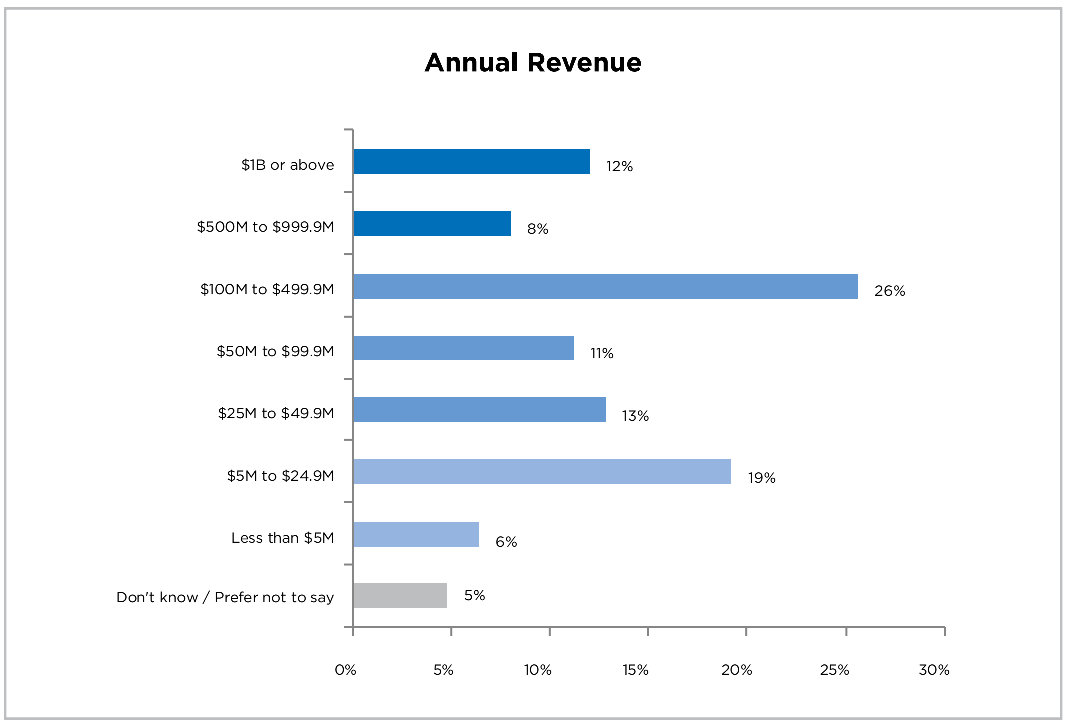
Responses to the demographic questions, which have provided the ability to group responses for analytical purposes, can be found in the Demographic section of the report (Appendix B).

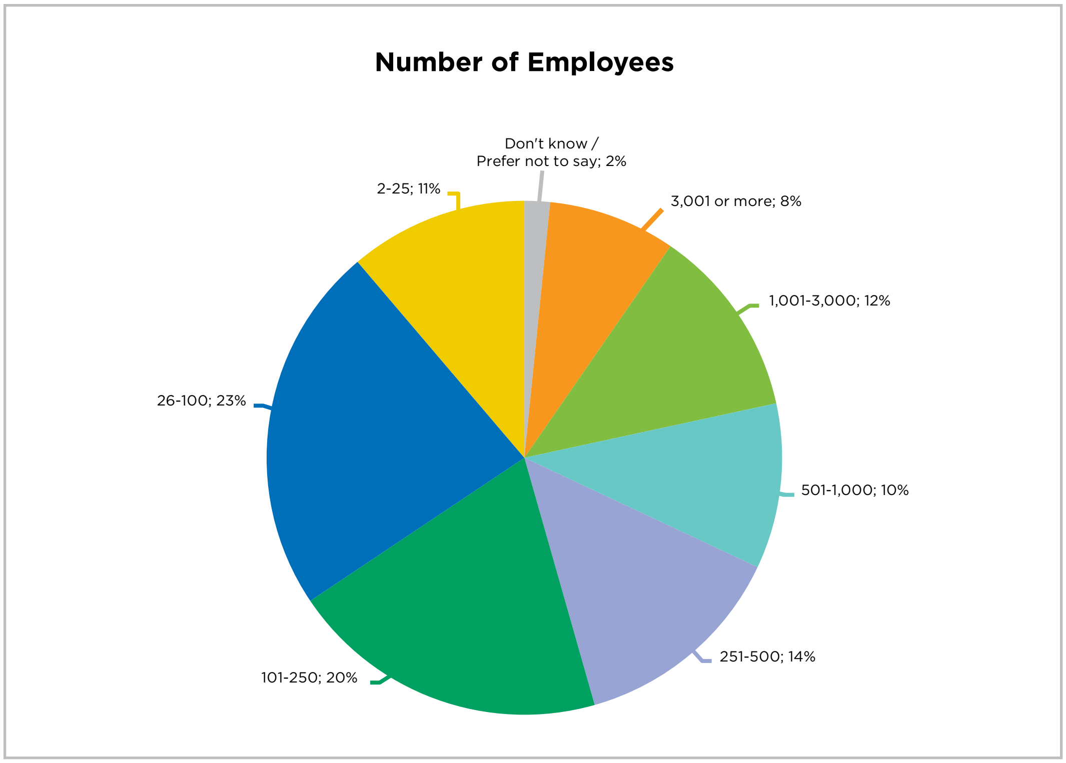
Appendix B— Demographics

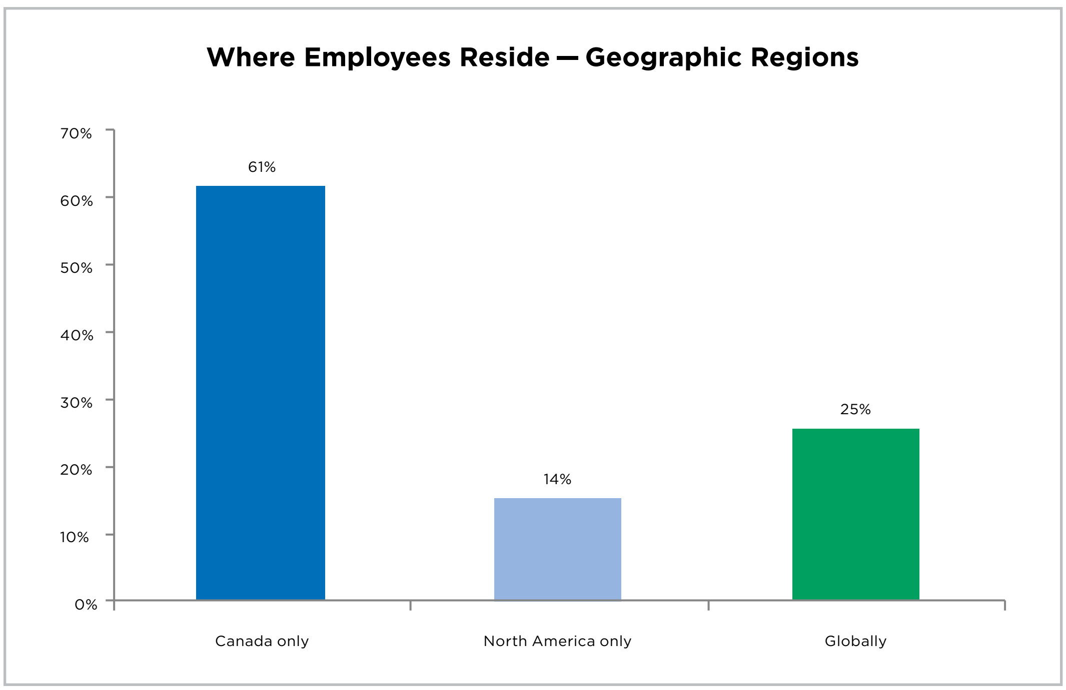


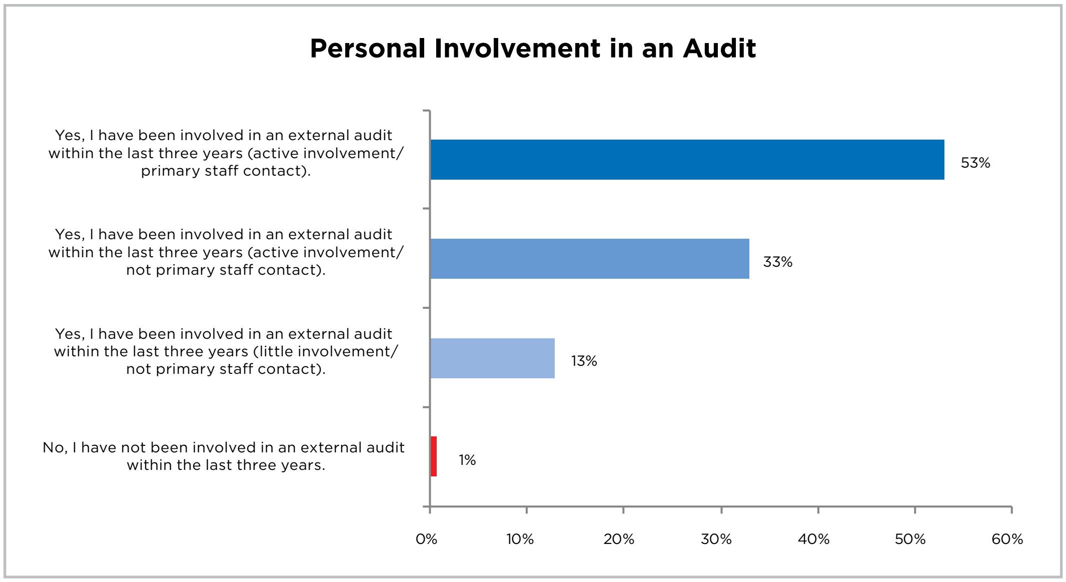

Primary Industry
Manufacturing
20%
Mining, quarrying and oil and gas extraction
16%
Finance and insurance
12%
Professional, scientific and technical services
10%
Wholesale trade
6%
Construction
5%
Real estate and rental and leasing
3%
Retail trade
3%
Educational services
2%
Utilities
2%
Agriculture, forestry, fishing and hunting
2%
Public Sector - Federal, provincial, first nations,...
2%
Information and cultural activities
2%
Health care and social assistance
2%
Transportation and warehousing
1%
Admin & support, waste mgmt & remediation...
1%
Accommodation and food services
1%
Management of companies and enterprises
1%
Other (please describe):
9%
0%
5%
10%
15%
20%
25%
Other includes:
Charity / Not for Profit (3)
Financial technology
Mineral Exploration
Oil and Gas Services
Recycling
Robotics
Security

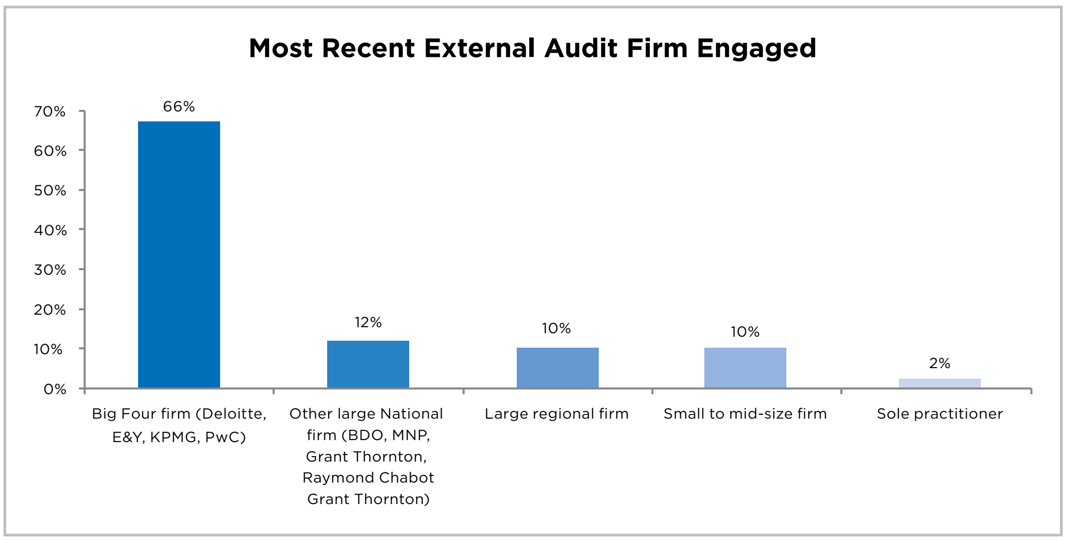

Position Title
CFO
Controller
VP Finance
Director of Finance
Founder, Owner, President, Partner or Principal
CEO
COO (Chief Operating Officer)
Treasurer
Other director level or higher (please specify):
45%
17%
13%
11%
3%
3%
2%
1%
5%
Other director level or higher roles included the following:
Board Chair
Corporate Director
District VP
Executive VP
Managing Director
Managing Director and CFO
Senior Manager - Risk & Environment
VP, Corporate Development & Strategic Capital
0%
10%
20%
30%
40%
50%


Annual Revenue
$1B or above
$500M to $999.9M
$100M to $499.9M
$50M to $99.9M
$25M to $49.9M
$5M to $24.9M
Less than $5M
Don't know / Prefer not to say
12%
8%
26%
11%
13%
19%
6%
5%
0%
5%
10%
15%
20%
25%
30%

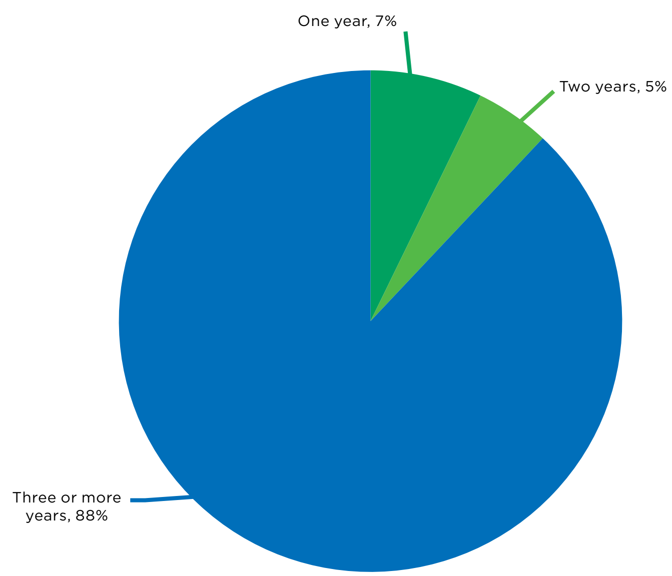

Number of Employees
Don't know / Prefer not to say; 2%
3,001 or more; 8%
1,001-3,000; 12%
501-1,000; 10%
251-500; 14%
101-250; 20%
26-100; 23%
2-25; 11%


Where Employees Reside — Geographic Regions
70%
60%
50%
40%
30%
20%
10%
0%
61%
14%
25%
Canada only
North America only
Globally

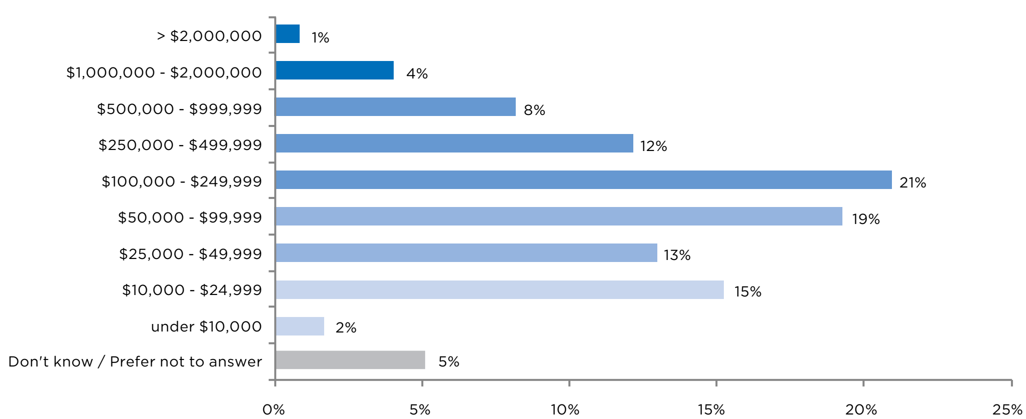

Personal Involvement in an Audit
Yes, I have been involved in an external audit within the last three years (active involvement/ primary staff contact).
53%
Yes, I have been involved in an external audit within the last three years (active involvement/ not primary staff contact).
33%
Yes, I have been involved in an external audit within the last three years (little involvement/ not primary staff contact).
13%
No, I have not been involved in an external audit within the last three years.
1%
0%
10%
20%
30%
40%
50%
60%

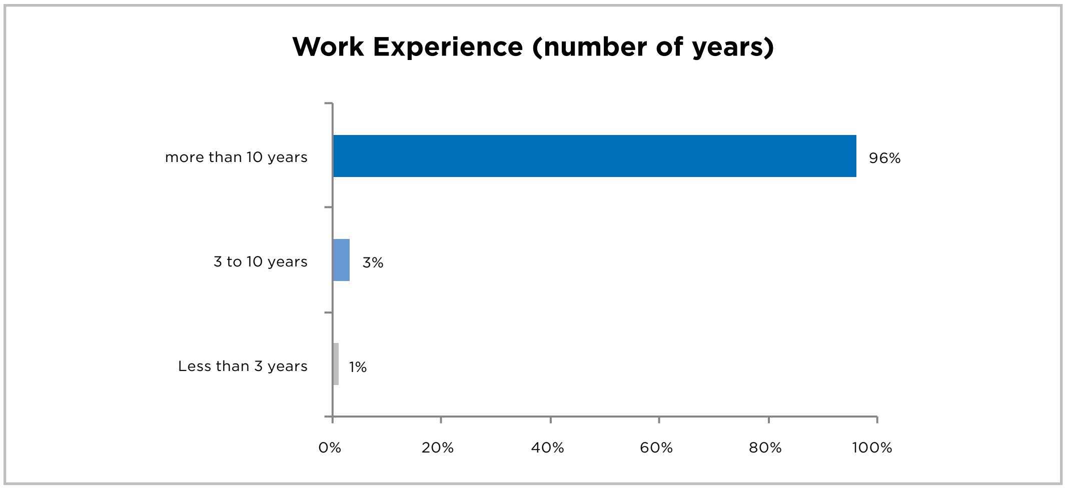

Most Recent External Audit Firm Engaged
70%
60%
50%
40%
30%
20%
10%
0%
66%
12%
10%
10%
2%
Big Four firm (Deloitte, E&Y, KPMG, PwC)
Other large National firm (BDO, MNP, Grant Thornton, Raymond Chabot Grant Thornton)
Large regional firm
Small to mid-size firm
Sole practitioner

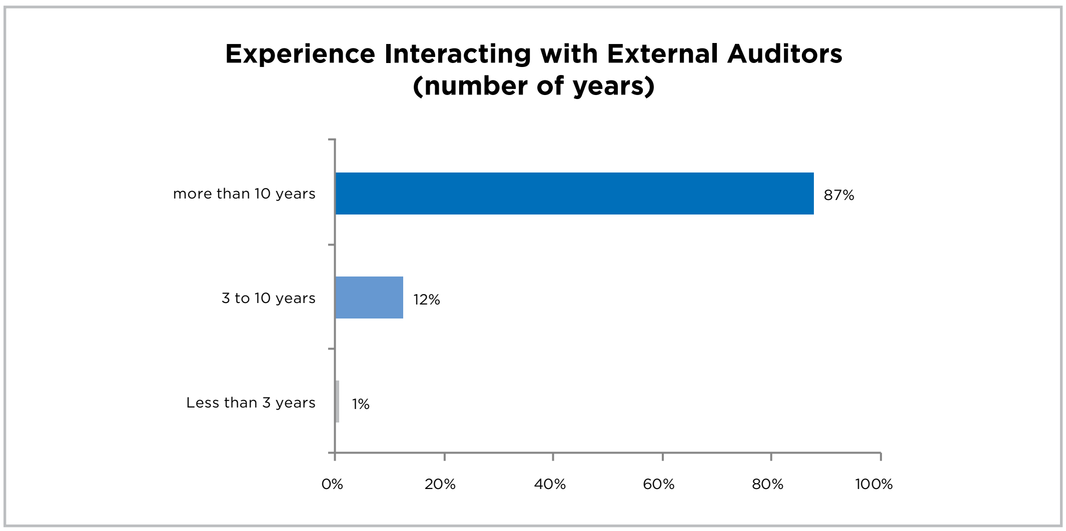
Number of Years Your Current Audit Firm Has Been Engaged to Complete the External Annual Financial Statement Audit at Your Entity



Audit Fees Charged in Most Recent Annual Audit at Your Entity




Work Experience (number of years)
more than 10 years
96%
3 to 10 years
3%
Less than 3 years
1%
0%
20%
40%
60%
80%
100%


Experience Interacting with External Auditors (number of years)
more than 10 years
87%
3 to 10 years
12%
Less than 3 years
1%
0%
20%
40%
60%
80%
100%

Appendix C — Forum and Interview Participants

We gratefully acknowledge the efforts of our survey respondents and our roundtable participants who took valuable time away from their day jobs to participate in this research.

Forum Chair	Michael Conway, President and CEO, FEI Canada
Moderators	Laura Pacheco — VP, Research, FEI Canada Juli-ann Gorgi — Principal, Research, Guidance & Support, CPA Canada
Vancouver	Brad Cruickshank — CFO, TransCan Leasing Corp. Eduard Epshtein — CFO, Lithium Americas Corp. David Fischer — Principal, Bluebird Consulting Solutions Wylie Hui — CFO, Tintina Resources Inc. Shamlin Pillay — VP, Finance and Administration, Northland Properties Corp.
Toronto	Celine Arsenault — Executive Director, Financial Systems and Controller, Northland Power Inc. Angelo Bartolini — CFO, Altus Group Ltd. Jeff Cook, Senior Vice President, Finance, CBRE Limited. Niall Cotter — CFO, Kingsdale Advisors Mara Di Pasquale — CFO, Housing Services Corporation Jens Ehlers — Financial executive Bob Motz — CFO, Hydrogenics Corporation Rose Papastamos — Financial executive Danielle Parent — Internal Audit Director, Fujitsu North America
Montreal	Marc Malouin — Groupe CFO at JSS Medical Research

Pat Di Lillo — Vice President, Chief Financial and Administrative Officer, Groupe Birks Inc.

In-Depth Interviews

Susan Campbell — Vice President, Finance, Cineplex Inc.
Elena Lokchina — CFO, architectsAlliance
Bob Motz — CFO, Hydrogenics Corporation
Gord Nelson — CFO, Cineplex Inc.
Luis Reyes — CFO, Save the Children Canada

Observers

Vancouver Jan Turner — Manager, Marketing Communications, CPA Canada

Toronto Taryn Abate — Principal, Research, Guidance & Support, CPA Canada
Gord Beal, Vice President, Research, Guidance & Support, CPA Canada
Mary Teresa Bitti — Writer, FEI Canada
Laura Bobak — Research and Communications Manager, FEI Canada
Kaylynn Pippo — Principal, Research Guidance & Support, CPA Canada
Caylyn Rodrigues — Manager, Marketing Communications, CPA Canada
Michael Wynen — Principal, Research, Guidance & Support, CPA Canada
Davinder Valeri — Director, Research, Guidance & Support, CPA Canada

Montreal Carol Raven — Principal, Research, Guidance & Support, CPA Canada

About Chartered Professional Accountants of Canada (CPA Canada)

The new Canadian designation, Chartered Professional Accountant (CPA), is now used by Canada's accounting profession across the country. The profession's national body, CPA Canada, is one of the largest in the world with more than 200,000 members, both at home and abroad. The Canadian CPA was created with the unification of three legacy accounting designations (CA, CGA and CMA). CPAs are valued for their financial and tax expertise, strategic thinking, business insight, management skills and leadership. CPA Canada conducts research into current and emerging business issues and supports the setting of accounting, auditing and assurance standards for business, not-for-profit organizations and government. CPA Canada also issues guidance and thought leadership on a variety of technical matters, publishes professional literature and develops education and professional certification programs. Additional information can be found at **www.cpacanada.ca**.

About Financial Executives International Canada (FEI Canada)

FEI Canada is the all-industry professional membership association for senior financial executives. With eleven chapters across Canada and more than 1,500 members, FEI Canada provides its members thought leadership, advocacy services and extensive professional development opportunities—including its executive education offering, the CFO Leadership Beyond Finance program. The association membership, which consists of chief financial officers, audit committee directors and senior executives in the finance, controller, treasury and taxation functions, represents a significant number of Canada's leading and most influential corporations. Further information can be found at **www.feicanada.org**. Follow us on Twitter at @FEICanada.

About the Canadian Financial Executives Research Foundation (CFERF)

CFERF is the non-profit research institute of FEI Canada. The foundation's mandate is to advance the profession and practices of financial management through research. CFERF undertakes objective research projects relevant to the needs of Canada's senior financial executives in working toward the advancement of corporate efficiency in Canada. For more information, please visit **www.feicanada.org**.

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