**PROTECTED A (when completed)**

**Required in all engagements**

Report to the Audit Committee—Annual Audit Plan

Jun-2023

Template Owner: Audit Services

Maintained by: Design and publishing

****

**[Name of the entity]**

Report to the Audit Committee

[Departmental Audit Committee]

**Annual Audit Plan**

For the year ending [Date]

[Date]

**Required in all engagements**

In these times of continuing uncertainty and change, we remain committed to delivering the highest level of service and audit quality to [name of entity].

This report has been prepared on the basis of our meetings with management, consideration of the operating environment, and our risk assessment procedures. Our audit approach will remain responsive to [name of entity]’s environment, and any significant changes to this audit plan will be shared and discussed with the [Audit Committee] at a future meeting.

Discussing our audit plan helps to ensure that our team understands your views, so together we can agree on mutual needs and expectations. The information included in this report also allows you to understand the judgments we have made in planning and scoping our audit procedures. We will continue to engage in open discussions with you to deliver a high-quality audit and an independent point of view. We welcome your feedback throughout the audit.

We look forward to presenting our audit plan, addressing questions and discussing any other matters of interest at the [Departmental] Audit Committee meeting on [date].

Yours sincerely,

[Engagement Leader’s name]  
[Title—i.e. Principal]

[City, Date (day month year)]

[Insert data visualization chart **Materiality** here. Note: Use the **Data Visualization Tool—RAC–Plan and RAC–Results** template found on our INTRAnet. Follow the instructions included in that template to create the visualization chart.]

**Required in all engagements**

|  |  |  |
| --- | --- | --- |
| **Contents** | | **Materiality** |
| [**What’s changed from the previous year?**](#What_changed)  [**Audit approach**](#Audit_approach)  [**Working together**](#Working_together)  [**Delivering audit quality**](#Delivering_audit_quality) | | The reporting threshold for errors will be $XXXX |
| **Significant audit risks and other risks** | | **Appendices** |
| 1 | Significant audit risk | |  | | --- | | [**Appendix A—Engagement letter**](#Appendix_A) | | [**Appendix B—Standard auditor’s report**](#Appendix_B) | | [**Appendix C—Developments in accounting and auditing standards**](#Appendix_C) | | [**Appendix D—Audit modernization**](#_Appendix_D—Audit_Modernization) | | [**Appendix E—Our system of quality management**](#Appendix_E) | |
| 2 | Significant audit risk |
| 3 | Significant audit risk |
| 4 | Other risk |
| 5 | Other risk |
|  | |



**Required in all engagements**

What’s changed from the previous year?

Our audit risk assessment, strategy, and approach are built on a sound understanding of your organization, including recent accounting and auditing changes and developments. We have considered the impacts of these developments and changes in our audit plan in order to deliver an audit of quality.

# What’s changed from the previous year?

**Required in all engagements**

**Required in all engagements**

[Audit team needs to customize this section according to changes that it has considered during the planning of the audit.]

## [XXX]

|  |  |
| --- | --- |
|  | Impact |
|  |  |
|  | |
|  | Our planned response |
|  |

# What’s changed from the previous year?

**Optional**[Consult the appendix at the end of the template to choose the changes that would be significant for the entity. Teams are strongly encouraged to include client-specific changes that affect the business and the audit. Changes that are less significant should be kept in the appendix and what is not applicable should be deleted.]

**Optional**

[Consult Appendix C at the end of the template to choose the changes that would be significant for the entity. Teams are strongly encouraged to include client-specific changes that affect the business and the audit. Changes that are less significant should be kept in the appendix.]

## Revised Canadian Auditing Standard 315—Identifying and Assessing the Risks of Material Misstatement

|  |  |
| --- | --- |
|  | Revised Canadian Auditing Standard 315 (CAS 315(R)) is the enhanced auditing standard for identifying and assessing the risks of material misstatement and is effective for periods beginning on or after 15 December 2021.  The revised standard expands considerably on the existing requirements of CAS 315 in a number of key areas. These new and revised requirements will, in many cases, have an impact on the nature and extent of our risk assessment procedures, including broader involvement of specialists and a greater level of detail when performing and documenting our procedures. This may result in an increased level of audit effort to implement the changes required by the revised standard. |
|  |
|  | |
|  | In what areas might the revised standard increase the input needed from management during the audit?  **Understanding and planning**   * Assisting our team to address more detailed requirements related to understanding [name of entity] and its environment, including additional inquiries and requests for supporting documentation. * Sharing further detailed information with our team on [name of entity]’s system of internal control, with a greater emphasis on the IT environment, including additional inquiries and requests for supporting documentation.   **Fieldwork and execution**   * Providing additional or different supporting documentation as a result of changes to audit procedures designed to address the risks of material misstatement that were identified. |
|  |

# What’s changed from the previous year?

**Optional**

[Consult Appendix C at the end of the template to choose the changes that would be significant for the entity. Teams are strongly encouraged to include client-specific changes that affect the business and the audit. Changes that are less significant should be kept in the appendix.]

## CAS 315(R)—Identifying and Assessing the Risks of Material Misstatement

|  |  |
| --- | --- |
|  | What will the OAG audit team be doing differently? |
| * Entities operate in an evolving business environment, make more use of technology, and have more complex structures and financial reporting frameworks. Given these complexities and the expanded requirements to perform more robust procedures to understand the entity and its environment and the applicable financial reporting framework, our team will need to invest more time with a broader range of management and others to understand the operating environment and the resulting entity-specific risks.   This will also involve gathering more internal and external information about the entity-specific, industry, and regulatory risks that may affect the ability of [name of entity] to achieve its objectives and obtaining further understanding of business processes and controls that were implemented to address risks.   * The standard emphasizes the importance of the auditor’s understanding of the entity’s IT environment, which may result in changes in our controls testing strategy. Depending on the complexity of [name of entity]’s IT environment, we might involve resources possessing specialized skills (for example, IT audit specialists) to help us assess the IT-associated risks and design appropriate audit responses. * The revised requirements when identifying “relevant assertions” and “significant” classes of transactions, account balances, and disclosures have the potential to have an impact on the accounts selected for testing and/or the nature of the testing performed.   The additional requirements may also result in more of the identified risks of material misstatement being assessed as higher on the spectrum of inherent risk which, in turn, could require an increase in the extent of audit procedures performed to address them.   * A new stand-back requirement to evaluate whether the audit evidence obtained from the risk assessment procedures provides an appropriate basis for the identification and assessment of the risks of material misstatement. This may result in additional inquiries and requests for supporting documentation if we identify a need to perform additional risk assessment procedures. |
|  | |

# What’s changed from the previous year?

**Optional**

[Consult Appendix C at the end of the template to choose the changes that would be significant for the entity. Teams are strongly encouraged to include client-specific changes that affect the business and the audit. Changes that are less significant should be kept in the appendix.]

## XXXXX

|  |  |
| --- | --- |
|  | Impact |
| * xxx |
|  | |
|  | Our planned response |
| * Our audit plan reflects procedures to assess the new accounting standards, including * xxx * xxx * xxx |



Audit approach

We have designed a tailored testing plan for each scoped‑in balance, optimizing the details testing, controls testing, validation of judgments, and data techniques.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

With the support of [name of the entity] management, we also strive to continuously improve the quality and efficiency of how we conduct our work. We are adapting and modernizing our audit approach by using data analytics to assess risks and support core audit procedures.

Completing more comprehensive data analytics requires additional data sets. We will be making requests for raw data and database backup files or investigating other extraction options as we explore new ways of carrying out our audit procedures. We will work in collaboration with [name of the entity] staff, including finance, IT, and data analytics professionals to securely obtain and use the most relevant data sets.

Please see Appendix X for further details.

# Significant audit risks

**Required (unless rebutted)**

## Fraud risk in revenue recognition (CAS 240.27)

|  |  |
| --- | --- |
|  | Risk |
| Auditing standards assume a rebuttable presumption that there is a significant risk of fraud in revenue recognition in all businesses.  [Include additional discussion of fraud risk factors related to the significant risk of fraud in revenue recognition] |
|  | |
|  | Our planned response |
| * Understand the potential risks of fraud and error related to revenue recognition. * Understand and evaluate relevant internal controls over revenue recognition. * Obtain a [moderate or high] level of substantive evidence related to the specific risk of fraud in revenue recognition. * Test journal entries related to revenue recognition. |

# Significant audit risks

**Required**

## Management override of controls (CAS 240.33)

**Required in all engagements**

|  |  |
| --- | --- |
|  | Risk |
| In all entities, there is an inherent risk of fraud resulting from management override of controls. Senior management can potentially override controls over financial reporting. This is a required significant risk under auditing standards. |
|  | |
|  | Our planned response |
| * Understand management’s assessment of the fraud risk and the overall control environment, including any changes in the design or operation of controls during the year. This includes understanding the business and relevant controls. * Hold regular discussions with management and those charged with governance to understand any new risks or matters that have been identified. * Tailor our testing approach to be responsive to areas where fraud risks have been identified. * Test the appropriateness of manual journal entries recorded in the general ledger and other adjustments. * Review accounting estimates for biases by applying professional skepticism, performing retrospective reviews, and corroborating management’s explanations with supporting evidence. * Perform unpredictable testing of certain balances, such as those that are immaterial or that would not normally be included in our testing. |

# Significant audit risks

**Optional**

[This risk is applicable only when related‑party transactions have been identified as significant AND outside the entity’s normal course of business.]

## Significant related-party transactions outside the normal course of business (CAS 550.18)

|  |  |
| --- | --- |
|  | Risk |
| Significant transactions outside the normal course of business can be more complex and not conducted under market terms and conditions, and as a result, they could be incorrectly accounted for in the financial statements. |
|  | |
|  | Our planned response |
| * Ask management to identify the entity’s related parties, and understand the nature of these relationships. * Obtain an understanding of the controls over related-party relationships and transactions, and where necessary, inspect underlying contracts to ensure the transactions have been appropriately authorized and approved. |

# Significant audit risks

**Optional**

## Define the risk [Audit team should add the significant audit risks that are relevant to the entity. Please consult the user’s guide for more options regarding significant risks.]

|  |  |
| --- | --- |
|  | Context or risk |
| All significant risks (as outlined in the Audit Planning Template) must be included. |
|  | |
|  | Our planned response |
| * Test |

# Other risks

**Optional**

## Define the risk

|  |  |
| --- | --- |
|  | Risk |
| All other risks that the audit team wishes to bring to the attention of the Audit Committee should be included in this section. Create one table per significant risk**.** |
|  | |
|  | Our planned response |
| * Test |

# Cybersecurity risk

**Optional**

|  |  |
| --- | --- |
|  | Context or risk |
| In a hyper-connected world, the rapid pace of technology and data growth has significantly increased entities’ exposures to cybersecurity risks and data privacy concerns. The number of cyber incidents and their associated costs continue to rise. Cyber criminals are becoming more sophisticated. Recent security breaches demonstrate the increasing importance of evaluating cybersecurity risk exposure as an enterprise-wide business risk, not just as an information technology concern. As a result, the financial statements could be materially misstated because of incomplete or inaccurate financial transactions being recorded. |
|  | |
|  | Our planned response |
| * Test |

# Fraud risk

**Required**

Your governance responsibilities include evaluating management’s identification of fraud risk, implementation of anti‑fraud measures, and creation of an appropriate tone at the top, and investigating any actual, suspected, or alleged instances of fraud brought to your attention.

We discuss fraud risk annually with the Audit Committee. Through our planning process (and prior years’ audits), we developed an understanding of your oversight processes, including [tailor list]

* whistle-blower
* code of conduct
* discussion at Audit Committee meetings and our attendance at those meetings
* internal audit
* consideration of tone at the top
* cascading certification

[Are there any new processes or changes to the items above that we should consider? Are you aware of instances of any actual, suspected, or alleged fraud or any violations, or possible violations, of laws and regulations affecting the corporation?] If you become aware of any actual, suspected, or alleged fraud affecting the corporation, please disclose the matter to us as soon as possible.

We are not aware of any fraud. We will promptly inform you if, at any point throughout the audit, we become aware of suspected fraud involving management, employees who have significant roles in internal controls, or other cases in which fraud results in a material misstatement in the financial statements. We will also communicate any other matters related to fraud that are, in our judgment, relevant to your responsibilities.

# Materiality

**Required**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| W:\common\15000-15900\15200\15213 OAG-AA-Plan (RAC Plan - CAS)\2022 May\assets\jpg\MaterialityGraph.jpg | | | Overall materiality | The level at which we believe misstatements would reasonably influence users of the financial statements.  Set at [X%] of planned expenditures for the year [or alternate benchmark]. [Guidance: We should explain to the audit committee why we chose the benchmark we did and why it is better than alternative benchmarks.]  Auditing standards require us to revisit materiality levels up to the time of signing our audit report. The current environment and related uncertainty may cause changes between now and the end of the year. We will monitor financial results throughout the year. If we expect our final materiality level to deviate significantly from this plan, we will communicate this to the Audit Committee. |
| Performance materiality | To account for aggregation risk, we design the nature, timing, and extent of our audit procedures at a lower level of materiality. |
| $xxxxx | $xxxxx | $xxxxx | De minimis | We will report all individual adjusted and unadjusted misstatements, including disclosure exceptions above this level to the Audit Committee. |
| (20xx $xxxxx) or (20xx–xx $xxxxx) | (20xx $xxxxx) or (20xx–xx $xxxxx) | (20xx $xxxxx) or (20xx–xx $xxxxx) |  |  |
|  |  |  | [Guidance for group teams: Our component teams are allocated a materiality on the basis of their relative size within the group. All individual components will receive a materiality level lower than the group’s overall materiality.] | |

# Key audit matters—Preliminary views

In effect for other listed entities for periods ending on or after 15 December 2022.

**Required if applicable**

|  |  |  |
| --- | --- | --- |
| Key audit matters | | |
| [Name of matter #1] | | [Briefly describe the matter and our rationale for determining that it is a key audit matter (KAM) based on our planned scope of work] |
| [Name of matter #2] | | [Briefly describe the matter and our rationale for determining that it is a KAM based on our planned scope of work] |
| [Name of matter #3] | |  |
|  |  | |
| These key audit matters are preliminary and based on our assessment of the significant risks and other areas of focus for our audit. They are subject to change as we progress toward the end of the audit. Accordingly, these are presented to management and the Audit Committee for discussion purposes only. | | |

# Group audit

**Required for the audit of group financial statements**

|  |  |  |
| --- | --- | --- |
| Our audit scope is determined with consideration to the following factors:   * significance of an [entity’s / location’s] contribution to [revenue / earnings before interest, tax, depreciation, and amortization (EBITDA) / profit]. * significance of the contribution to individual financial statement line items * [entities / locations] where significant risks exist or that you have specifically requested we include in audit scope |  | Scope definitions **Full scope audit**: Teams will provide a full scope audit opinion.  **Statutory audit**: A component is subject to an audit by statute, regulation, or other reason, and the group engagement team decides to use that audit to provide audit evidence for the group audit.  **Limited scope audit**: Only certain transactions or balances are significant to the group’s results. The remaining activities of that entity are not significant and do not warrant a full scope audit for group purposes.  **Specified procedures**: The teams will perform defined procedures over specific balances and transactions that are significant to the group’s results.  **Out of scope**: The group team performs additional review procedures centrally on non-significant components. |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Component | Nature of involvement with the component auditors | Financial significance of benchmark [insert chosen benchmark: revenues, expenses, assets, liabilities, etc.] | Level of scoping | Materiality 20xx or 20xx–xx | Materiality 20xx or 20xx–xx |
| [Insert applicable] | [Insert applicable] | $XX,XXX | Full scope audit/Statutory audit/Limited scope/Specified procedures audit/Out of scope | $xxxxx | $xxxxx |
|  |  |  |  | $xxxxx | $xxxxx |

# Visual representation

**Optional**

[Insert data visualization chart **Entity’s FSLIs with Significant Risk** here.

Note: Use the **Data Visualization Tool—RAC–Plan and RAC–Results** template found on our INTRAnet. Follow the instructions included in that template to create the visualization chart.]

The following view of the corporation’s financial statement components combines the preceding information concerning risk and materiality.

**Balance sheet line items with significant risk**

**Materiality is $90 million and de minimis summary of uncorrected misstatements (SUM) is $10 million**

**In millions of dollars**

# Visual representation

**Optional**

[Insert data visualization chart **Entity’s FSLIs with Significant Risk** here.

Note: Use the **Data Visualization Tool—RAC–Plan and RAC–Results** template found on our INTRAnet. Follow the instructions included in that template to create the visualization chart.]

**Expense**

**Materiality is $100 million and de minimis summary of uncorrected misstatements (SUM) is $10 million**

**In millions of dollars**

# Visual representation

**Optional**

[Insert **Data visualization chart Entity’s FSLIs with Significant Risk** here.

Note: Use the **Data Visualization Tool—RAC–Plan and RAC–Results** template found on our INTRAnet. Follow the instructions included in that template to create the visualization chart.]



**Optional**

Working together

As part of our audit approach, we assess the extent to which we can use internal audit work and experts. In this assessment, we consider risks, materiality, and the degree of subjectivity involved in the evaluation of the audit evidence.

# Using internal audits

**Optional**

**Required if you use internal audits**

We plan to rely on internal audits for the annual audit. [Or if not relying: We plan to work closely with your internal audit group to leverage our combined audit efforts.]

Direct assistance Relying on work

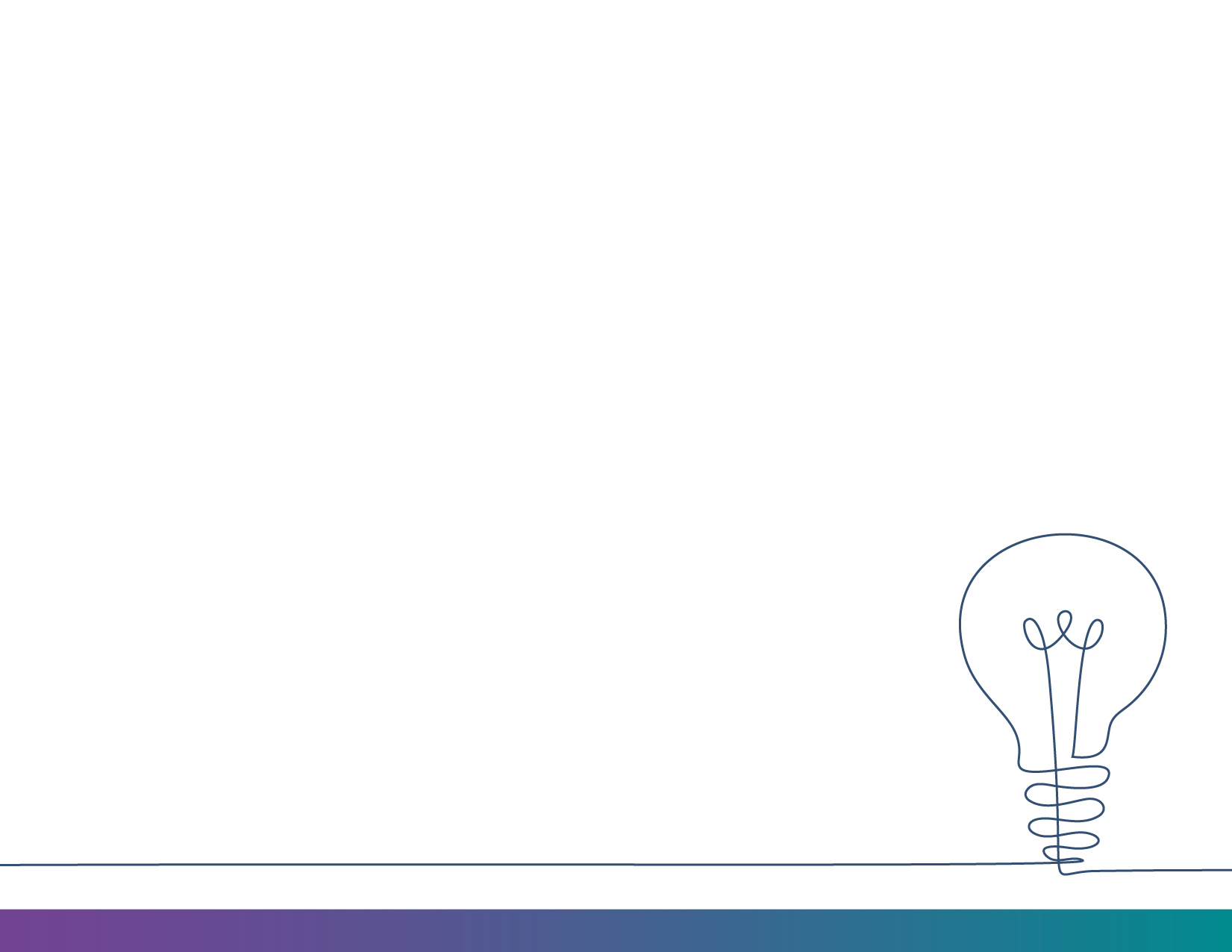
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  |  | | --- | --- | --- | | Assess the competency and objectivity of the internal auditors. |  | Understand the internal audit plan, including the nature, timing, and extent of the work. | |  |  |  | | Discuss significant accounting and auditing issues and hold periodic meetings to ensure our efforts are coordinated. |  | Review internal audit reports and management’s responses. | |  | Business process or area | Type and extent of procedures |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
| [In addition, we plan to have internal audit staff directly assist our audit team.] |  |  |  |

# Using experts

**Required if you rely on experts**

We plan to rely on work performed by experts.

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  |  | | --- | --- | --- | | Assess the experts’ competency, capabilities, and objectivity. |  | Understand the underlying estimates, assumptions, and calculations. | |  |  |  | | Obtain an understanding of the work performed. |  | Evaluate the appropriateness of the work performed as audit evidence. | |  | Business process | Type and extent of procedures |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |  |

****

**Required if listed entities, optional for  
other entities**

Delivering audit quality

Our qualified teams of professionals will work with you to conduct an efficient and high-quality audit.

[Include the following sentence if listed entities:

We have included in Appendix [X] a summary of the OAG’s system of quality management.]

# Your audit team and timetable

**Required**

|  |  |  |  |
| --- | --- | --- | --- |
| Our dedicated team |  | Audit timetable | |
| The senior staff involved in this year’s audit include  [Include the name of the AAG only if he/she is signing the auditor’s report.]  [Name], Assistant Auditor General  [Name], Audit Principal  [Name], Director [and/or Audit Project Leader]  The Audit Principal is responsible for audit quality and ensures that audits are carried out in compliance with professional standards and the Office of the Auditor General of Canada’s policies and system of quality management.  We are independent of [Name of the entity]. [OR If threats to independence exist, identify them along with the relevant safeguards that have been applied.] [OR if a breach of independence occurred, report the matter in accordance with the requirements set out by Independence Rule 204.6] |  | [Departmental] Audit Committee Meeting—Presentation of audit plan | [day month year] |
| Interim audit | [day month year] to [day month year] |
| Year-end audit | [day month year] to [day month year] |
| [If applicable: As part of our system of quality management, we have also assigned an engagement quality reviewer to the audit who is independent of the audit team and whose responsibilities include ensuring that we deliver a good quality audit.] | Clearance meeting with management | [day month year] |
| [Departmental] Audit Committee Meeting—Presentation of audit results | [day month year] |
|  | Review of annual report | [day month year] |

# Audit hours and costs

|  |  |  |  |
| --- | --- | --- | --- |
| Audit hours and costs | | | |
| We will not bill for the professional services that make up the audit. The Office of the Auditor General of Canada is funded directly by Parliament, which pays our costs from an annual appropriation. Last year’s audit costs and budgets, as well as the budget for this year’s audit, are presented below. | | | |
|  |  |  |  |
|  | [202X]  (Budgeted) | [Prior year]  (Actual) | [Prior year]  (Budgeted) |
| Audit hours |  |  |  |
| Audit costs [Total cost including travel and contract costs] |  |  |  |

[Explain any significant differences in audit hours among budgeted hours, prior year actual hours, and prior year budgeted hours.]

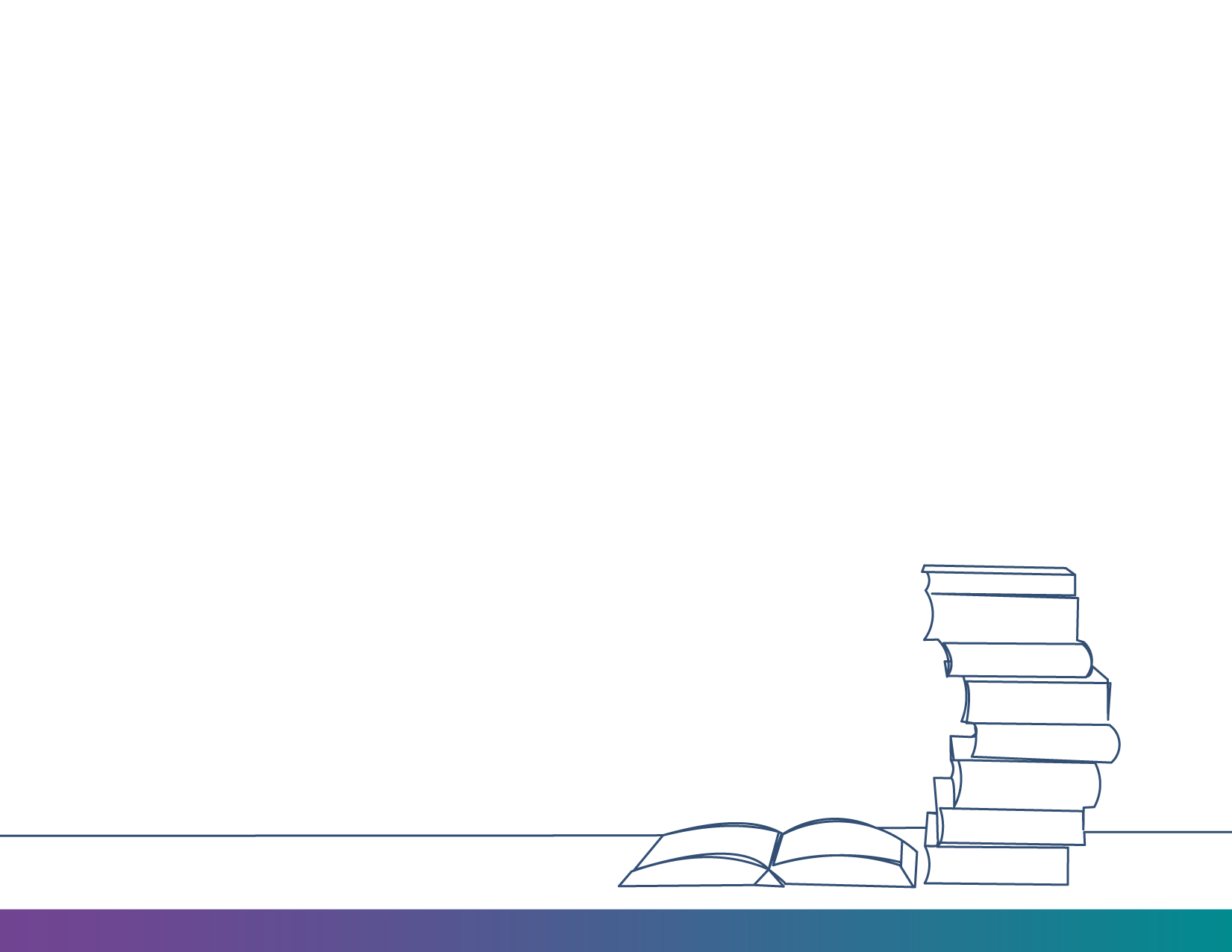
# Maintaining quality and enhancing value

We value the feedback from the Audit Committee around the quality and value of our audits. Our annual post-audit survey is an important tool to assist in gathering your feedback. We also welcome a discussion on any questions or comments you may have that would assist in improving the value of our audits.

# Other services

**Optional**

[Communicate to the Audit Committee the other audit and non‑audit services that the Office of the Auditor General of Canada is currently providing to the entity and its components, if applicable, and how this can affect the planned nature and scope of the current audit.]



Appendices

Appendix A—Engagement letter

Appendix B—Standard auditor’s report

Appendix C—Developments in accounting and auditing standards

Appendix D—Audit modernization

Appendix E—Our system of quality management

# Appendix A—Engagement letter

**Required**

[Insert or append a copy of the most current version of the signed engagement letter using landscape orientation.]

# Appendix B—Standard auditor’s report

**Required**

[Insert or append a copy of the sample standard auditor’s report revised as appropriate for the entity using landscape orientation. Alternatively, a standard auditor’s report may have already been included in the engagement letter.]

# Appendix C—Developments in accounting and auditing standards

[The new and revised standards determined to have a significant effect on the current year financial statements audit should be presented in the section “What’s changed from the previous year?” Changes with no significant effect on the current year financial statements should be presented below.]

**Optional**

We have identified the following developments in accounting standards as being potentially significant to the organization.

#### Other developments in accounting standards

[Insert table regarding the applicable financial reporting framework and effective date from the following INTRAnet location: <http://cmsprd.oag-bvg.gc.ca/intranet/financial-audits/18691_ENC_HTML_PROD.shtm>]

#### Developments in auditing standards

We have identified the following developments as being potentially significant or of interest to the organization:

[Insert information regarding applicable development in assurance standards from the following INTRAnet location:   
<http://cmsprd.oag-bvg.gc.ca/intranet/financial-audits/18691_ENC_HTML_PROD.shtm>]

## Sustainability reporting

[Audit teams are encouraged to insert the following text]

Sustainability reporting has been gaining momentum around the world over the last several years.

**Federal effort**

* **April 2021**—The Government of Canada tabled Budget 2021, which indicated a shift toward mandatory sustainability reporting for Crown corporations. This development provides for more stringent sustainability reporting in the future and exists within a broader set of efforts by the Canadian government to support sustainability reporting initiatives. The budget proclaimed that in order to ensure a stable and predictable transition to a low-carbon economy, marketers, insurers, policy makers, and the public require standardized information about climate-related risks and opportunities that organizations face.
* **May 2021**—The Government of Canada launched the Sustainable Finance Action Council to help lead the Canadian financial sector toward integrating sustainable finance into standard industry practice. The council will make climate-related financial disclosure its first priority and will be preparing advice by the end of 2022 through a joint letter to the Minister of Finance and the Minister of Environment and Climate Change.
* **April 2022**—The Government of Canada tabled Budget 2022, which introduced the federal commitment to shift toward mandatory reporting of climate-related financial risks across the Canadian economy using the Task Force on Climate-Related Financial Disclosures framework, and the government’s Net-Zero Capital Allocation Strategy. The government indicated that the Sustainable Finance Action Council will develop and report on strategies for aligning private sector capital with the transition to a net-zero economy. The council will draw on support from the Canadian Climate Institute and work in consultation with the Net-Zero Advisory Body.

## Sustainability reporting

**Requirements for Crown corporations**

* Budget 2021 declared that federal Crown corporations will show climate leadership by adopting the Task Force on Climate‑Related Financial Disclosures framework, or according to more rigorous, acceptable standards as applicable to the public sector at the time of disclosure, as an element of corporate reporting.
* Canada’s Crown corporations will be required to report on their climate-related financial risks for their fiscal years, according to the following:

|  |  |
| --- | --- |
| Requirement to disclose | Date of enforcement |
| Crown corporations with over $1 billion in assets | Calendar year 2022 at the latest |
| Crown corporations with less than $1 billion in assets | Calendar year 2024 at the latest  Or provide justification as to why climate risks do not have material impact on their operations |

While details of these disclosure requirements are not yet available, Crown corporations should start preparing for them. Questions pertaining to the implementation of mandatory climate disclosures for Crown corporations may be directed to the Sustainable Finance Action Council.

Crown corporations are also encouraged to assess and disclose their greenhouse gas emissions and their climate-related risks under the following elements:

* Task Force on Climate-Related Financial Disclosures (2017)
* Expert Panel on Sustainable Finance (2018)
* Greening Government Strategy (November 2020)

## Sustainability reporting

* Fall Economic Statement 2020
* Canadian Net-Zero Emissions Accountability Act
* A Healthy Environment and a Healthy Economy (December 2020)
* Sustainable Finance Action Council (2021)

**Requirements for federal departments and agencies**

* In support of the federal commitment of mandatory climate-related financial risk reporting across the Canadian economy, the Office of the Superintendent of Financial Institutions (OSFI) will consult federally regulated financial institutions on climate disclosure guidelines in 2022 and will require financial institutions to publish climate disclosures—aligned with the Task Force on Climate-Related Financial Disclosures framework—using a phased approach, starting in 2024.
* **May 2022**—The OSFI issued a draft version of Guideline B-15: Climate Risk Management. The draft guideline sets the stage for OSFI’s expectations of federally regulated financial institutions. The OSFI plans to issue the final version of this guideline by early 2023.

**Provincial and territorial governments**

* The Expert Panel on Sustainable Finance encourages provincial and territorial governments to consider phasing in the Task Force on Climate-Related Financial Disclosures framework to guide the disclosures of their Crown corporations in alignment with federal efforts.

## Sustainability reporting

**Global sustainability reporting developments**

**The International Financial Reporting Standards (IFRS) Foundation’s role**

Recognizing the need for a global, uniform sustainability reporting framework, the IFRS Foundation announced the establishment of the International Sustainability Standards Board to set sustainability standards.

**September 2020**—The IFRS Foundation’s trustees published a consultation paper to determine whether a global sustainability standard was needed and what role the International Financial Reporting Standards should play.

**November 2021**—The IFRS Foundation formed the International Sustainability Standards Board (ISSB), announced a commitment by 2 leading sustainability disclosure organizations to consolidate into the ISSB, and published the prototype climate and general disclosure requirements. Canada was selected to host the headquarters of the ISSB.

**March 2022**—The ISSB published 2 exposure drafts: one sets general sustainability-related disclosure requirements, and the other specifies climate-related disclosure requirements. The exposure drafts build upon the existing recommendations of the Task Force on Climate-Related Financial Disclosures framework and incorporate industry-based disclosure requirements derived from existing Sustainability Accounting Standards Board Standards.

**August 2022**—The ISSB received more than 1,300 comment letters on its 2 exposure drafts. The ISSB will now assess and discuss the comments.

## Sustainability reporting

**The International Public Sector Accounting Standards Board (IPSASB)’s role**

With recent progress toward the development of a global baseline for sustainability reporting in the private sector by the ISSB and other bodies, movement toward global public sector–specific sustainability reporting guidance has been limited.

**May 2022**—In May 2022, the International Public Sector Accounting Standards Board (IPSASB) issued a public consultation paper to evaluate demand from stakeholders for the development of sustainability reporting guidance for public sector entities. Comments were due September 2022.

**By the end of 2022**—The IPSASB intends to conclude its review and deliberation of responses to the consultation paper to determine the extent to which it would be able to take on the development of global public sector sustainability reporting guidance.

# Appendix D—Audit modernization

**Optional**

## Technology used in our audit

Our objective is to continue to provide insights into [name of entity]’s activities while improving the efficiency of our audits through the use of technology. We have identified the following key data and analytics initiatives that we plan to use in this audit. [Please tailor the table below as applicable to your audit]:

| Accounts | Data and analytics initiatives | Description |
| --- | --- | --- |
| **Expected credit losses (ECL)** | ECL calculation  Sensitivity analysis of macroeconomic variables  Credit rating assessment (loan review) | We plan to review the calculation and financial balances of the allowance for expected credit losses.  We plan to perform a sensitivity analysis of macroeconomic forward‑looking information.  We plan to perform a risk-rating review of clients with specific risk characteristics. |
| **Fair value of investments** | Benchmark analysis | Facilitated by independent comprehensive data sets, we plan to evaluate the fair value of investments. |
| **Revenue** | Regression analysis | We plan to calculate expected revenues using [describe analytic]. |
| **Payroll** | Payroll expense 3‑way match  Predictive analytics | We plan to perform an automated 100% match of the 3 expense types for the fiscal period: the payroll register, the general ledger (GL), and the bank statements.  We plan to calculate expected expenses using [describe analytic]. |
| **Account** | Automation of data input | We plan to use a macro to automatically copy and paste data from [X] into [Y] allowing us to avoid making manual adjustments of approximately [X] transactions. |

## Technology used in our audit

| Accounts | Data and analytics initiatives | Description |
| --- | --- | --- |
| **Journal entries** | Fraud risk assessment | We plan to apply automated machine learning using statistical and rules‑based criteria to identify transactions with unexpected or unusual characteristics, with a focus on higher-risk transactions and outliers. |
| **Journal entries** | Fraud risk assessment | We plan to apply statistical and rules-based criteria to identify transactions with unexpected or unusual characteristics, with a focus on higher‑risk transactions and outliers. |

## Bringing together people, expertise, and technology

**People**

|  |  |
| --- | --- |
|  | Chartered professional accountants |
| At the core of our financial audits is a diverse team of skilled and engaged CPAs. Our auditors are encouraged to experiment, driving innovation and growth. Our planning approach incorporates the expertise of a variety of specialized teams. |
|  | |
|  | Continuous learning |
| We are committed to upskilling our people to find more innovative ways to bring the audit quality and value that our clients—and Canadians—deserve. |
|  |  |
|  | Connections |
| We are dedicated to working with our clients collaboratively and exchanging information openly. We are committed to developing recommendations and advice constructively with our clients and Canadians in mind. |

**Technology**

|  |  |
| --- | --- |
|  | We access a range of tools when performing an audit. Our staff members have the flexibility to choose the tool that best matches their skill sets and the data you provided. |

**Internal expertise**

|  |  |
| --- | --- |
|  | Controls assurance |
| Our controls and assurance experts support the evaluation of audit strategies, including reviewing business processes and identifying relevant controls and risk assessments. |
|  | |
|  | Data analytics and research methods |
| Our data scientists help to evaluate and visualize data and provide expert advice on sampling approaches, extrapolations, and interpretations of results. |
|  |  |
|  | Information technology audit |
| Our information technology (IT) auditing experts support the evaluation of IT risks, as well as IT General Controls when needed, to support the audit approach. |
|  |  |
|  | Software specialists |
| Our auditors are trained in the use of various software that allows us to optimize our work through advanced auditing techniques. |

**Optional**

|  |
| --- |
| **Data-driven auditing** |
| **Efficient testing**  Data analytics allow us to better identify risks and execute specific procedures in response to these risks, enabling a more focused and efficient audit. **Enhanced quality**  With [name of entity]’s data, we can analyze entire populations and identify anomalies on the basis of defined risk criteria for target testing. **Meaningful insights** As we gain deeper understanding of the processes by which activities and data move through the organization, we will share any opportunities for improvement that we note. |

**Optional**

# Appendix E—Our system of quality management

[Insert table regarding our system of quality management from the following [INTRAnet location](http://cmsprd.oag-bvg.gc.ca/intranet/audit/templates/OAG-System_Quality_Mgmt_16186E.DOCX)]

**Required if listed entities**