**PROTECTED A (when completed)**

**Required in all engagements**

Report to the Audit Committee—Annual Audit Results

Jun-2023

Template Owner: Audit Services

Maintained by: Design and publishing

**Instructions**

Refer to [Report to the Audit Committee—User Guide for Completing the Annual Audit Results](http://cmsprd.oag-bvg.gc.ca/intranet/audit/templates/OAG-RAC_Results_User_Guide_16182E.docx) when using this template to complete the Report to the Audit Committee.

**[Name of the entity]**

Report to the Audit Committee

[Departmental Audit Committee]

**Annual Audit Results**

For the year ending [Date]

[Date]

# Our message

**Required in all engagements**

I am pleased to provide you with the results of our audit of the [consolidated] financial statements of [name of the entity] [and its subsidiaries] for the year ending [day month year].

We are near the end of our audit. Our audit work was performed in a manner consistent with the Report to the [Departmental] Audit Committee—Annual Audit Plan, which was discussed with the Audit Committee on [day month year].

This report was prepared to assist the committee members in their review and recommendation for approval by the Board of Directors [or title of the entity’s deputy head: Deputy Minister, President, or Chief Executive Officer] of the [consolidated] financial statements. It includes an update on our work and a discussion of the observations arising from the audit that are significant and relevant to your responsibility to oversee the financial reporting process.

We will be pleased to elaborate on any of these points, to the extent you would like, during the Audit Committee meeting on [day month year].

Yours sincerely,

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

[City, Date (day month year)]

# Executive summary

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[**Our opinion, the status of our audit, and changes to our plan**](#Our_opinion)

[**Results of our audit**](#Results_of_our_audit)

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[**Other required communications**](#Other_required_communications)

[**Delivering audit quality**](#Delivering_audit_quality)

[**Appendices**](#Appendices)

Subject to completing the outstanding items, we anticipate issuing an [unmodified opinion].

Outstanding items as at [Day Month Year]

**Review of the audit file, including certain quality review procedures**

**Subsequent event procedures**

**Receipt of signed management representation letter**

**Receipt of final legal confirmations**

**Approval of the financial statements**

**Required in all engagements**

For the risks: Present the status (using green, yellow, red) to indicate if our work was satisfactory in those areas.

|  |  |  |
| --- | --- | --- |
| **Significant audit risks and other risks** | | **Status** |
| 1 | Significant audit risk xx | C:\Users\gauthijj\Desktop\RedDot\Check_Check.png |
| 2 | Significant audit risk xx | C:\Users\gauthijj\Desktop\RedDot\Check_Check.png |
| 3 | Other risks xx | C:\Users\gauthijj\Desktop\RedDot\Check_Check.png |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| C:\Users\gauthijj\Desktop\RedDot\Check_Check.png | Completed—other than closing matters, no issues noted | C:\Users\gauthijj\Desktop\RedDot\OnGoing_onGoing.png | In progress | C:\Users\gauthijj\Desktop\RedDot\Issues_Problem.png | Completed, significant findings identified |

**Unadjusted [and adjusted] misstatements**

Taken as a whole, the financial statements are free of material misstatement. [We did identify misstatements and have discussed these with management, and management adjusted the financial statements for some of these items. Management has concluded that the [remaining] unadjusted misstatements are immaterial individually and collectively.]



Our opinion, the status of our audit, and changes to our audit plan

We performed our risk-based audit according to the audit plan we presented to you and any changes we found necessary during our work.

# Our opinion

**Required in all engagements**

We intend to issue an unmodified opinion [revise as appropriate and prepare wording that discusses the circumstances that led to the modification, the nature of the modification (qualified, adverse, or disclaimer of opinion), including non‑disclosure of information required under the applicable financial reporting framework] on the [consolidated] financial statements of the organization [and its compliance with the specified authorities]. We have included our draft report as Appendix A.

[Where the standard auditor’s report is to be modified—i.e. emphasis of matter, other matter, key audit matters, or modified opinion for our legislative reporting requirements—refer to Supplemental guidance B—Modifications to the standard auditor’s report and key audit matters in the user’s guide for proposed wording to be inserted here.]

[For CAS listed entities where no KAMs are communicated (should be rare): CAS 701.17(b) requires communication of the auditor’s determination that there are no key audit matters to communicate in the auditor’s report. Under these circumstances, teams may insert: “We have determined that there are no key audit matters to communicate in the auditor’s report.”]

Compliance with specified authorities: Our report on compliance with specified authorities will not report any instances of non‑compliance or legislative “other matters.” Please refer to the draft independent auditor’s report in Appendix A. [Or, We will not report any instances of non-compliance or legislative “other matters.” Please refer to the draft independent auditor’s report in Appendix A.]

# Status of the audit

**Required in all engagements**

Our auditor’s report will be issued once we have received and completed our audit work on the following outstanding items:

* the Board of Directors’ approval of the financial statements [or approval by the Deputy Minister, President, or Chief Executive Officer]
* the signed management representation letter
* legal letter(s)
* [review of the final Management’s Discussion and Analysis (MD&A)]
* [List any other outstanding audit evidence required to complete the audit]

Pending the completion of the outstanding items to our satisfaction, we are prepared to issue an unmodified opinion on the financial statements. [Revise as appropriate to reflect the results of the audit.]

## **Significant changes to our audit plan**

[Guidance: If any, teams should insert significant changes to their audit plan, including changes to significant risks that were identified in the audit plan, changes in scoping/significant accounts, etc., and the reason for the changes. If many changes have happened, teams can choose to use the table on the next page instead.]

# Significant changes to our audit plan

[Teams have the option to use this table to describe significant changes to the audit plan or use the last paragraph on the preceding page.]

**Optional**

## [**Describe what caused the changes.**]

| Area of impact | Our response |
| --- | --- |
| Risk assessment [Describe our understanding of the impact on the entity and its risks.] |  |
| Internal controls [Describe the impact on internal controls relevant to the audit.] |  |
| Compliance with authorities [Describe the impact on statutory reporting deadlines or other compliance issues.] |  |
| Group audits [where applicable] [Describe the impact on reviewing working papers of component auditors or significant changes in the scoping.] |  |
| Audit reporting [where applicable] [Describe the impact on the independent auditor’s report.] |  |
| Other [where applicable] |  |



Results of our audit

We are responsible for discussing with the Audit Committee our views about the significant qualitative aspects of the organization’s accounting practices, including the appropriateness of accounting policies, the reasonableness of accounting estimates, and the adequacy of financial statement disclosures.

# Significant audit, accounting, and financial reporting matters

**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. [We consider the risk to be the completeness of income recognized in the accounts . . .] |
|  | |
|  | Our response |
| * We gained an understanding of the potential risks of fraud and error related to revenue recognition. * We gained an understanding of and evaluated the internal controls over revenue recognition. * We obtained a [moderate or high] level of substantive evidence related to the specific risk of fraud in revenue recognition. * We tested journal entries related to revenue recognition. |
|  | |
|  | Our findings |
| [On the basis of the testing performed, we have concluded that revenues were appropriately recognized, accurate, recoded in the appropriate period, and properly authorized. Also, the presentation and disclosure in the financial statements are in accordance with appropriate standards.] |

# Significant audit, accounting, and financial reporting matters

**Required in all engagements**

## Management override of controls (CAS 240.33)

|  |  |
| --- | --- |
|  | 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 response |
| * We assessed the risk of management override of controls through inquiries of management and those charged with governance. * We tested the appropriateness of manual journal entries recorded in the general ledger and other adjustments. * We reviewed accounting estimates for biases and maintained a level of professional skepticism. * We performed unpredictable testing of certain balances, such as those that were immaterial or would not normally be included in our testing. |
|  | |
|  | Our findings |
| [On the basis of our audit work, we do not have any items that we wish to bring to your attention.] |

# Significant audit, accounting, and financial reporting matters

**Optional**

[This risk is only applicable 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, the transactions could be incorrectly accounted for in the financial statements. |
|  | |
|  | Our response |
| * We asked management to identify the entity’s related parties to understand the nature of these relationships. * We obtained an understanding of the controls over related-party relationships and transactions, and where necessary, inspected underlying contracts to ensure the transactions were appropriately authorized and approved. |
|  | |
|  | Our findings |
| [On the basis of our audit work, we do not have any items that we wish to bring to your attention.] |

# Significant audit, accounting, and financial reporting matters

In this section, discuss matters of significance to the audit identified either in the audit plan or during the audit. Follow the Supplemental Guidance A—Significant matters framework for communication in the user’s guide when drafting your communication. The auditor should consider other significant matters listed in Supplemental Guidance C—Significant matters arising from the audit in the user’s guide. Where these or any significant matters exists, the auditor shall include appropriate wording and clearly indicate that these matters reflected changing risks and circumstances experienced during the course of audit.

**Optional**

## Critical accounting estimates

We agree with management’s identification and disclosure of estimates used to prepare the financial statements. Of those, we would like to discuss estimates that we have determined to be critical accounting estimates and an area of focus of our audit.

[#] [Name the estimate]

|  |  |
| --- | --- |
|  | Background information |
| [Describe the estimate briefly. Discuss how management approached the matter, such as the process used to develop the estimate (including significant changes to the process and a description of management’s reasons for the changes, if any), research performed, alternatives considered, internal controls applied, significant assumptions that have a high degree of subjectivity, management’s experts used, and any sensitivity analysis performed by management.] |
|  | |
|  | Our response |
| * [Discuss our perspectives on the matter, including the basis for our conclusions.] * [Outline the audit procedures performed, including any use of experts. Be more detailed if the actual audit procedures changed from the planned audit approach as per audit plan communication. The discussion should include how the engagement team assessed the reasonableness of significant assumptions based on the procedures performed.] * [Consider discussing our sensitivity analysis of significant subjective assumptions (whether related to reasonably possible alternatives or performed to assess the extent of the audit work required) or the results of independent calculations of the estimate, if performed by the engagement team or auditor’s experts.] |
|  | |
|  | Our findings |
| [In general, after discussing the significant qualitative aspects in an open and constructive manner, the engagement team should consider summarizing our view on the particular accounting estimates as follows: Are management’s estimates and assumptions reasonable and consistent with the requirements of the applicable financial reporting framework? Do we concur with management’s conclusions? On the basis of our audit work, we do not have any items that we wish to bring to your attention.] |

# Significant audit, accounting, and financial reporting matters

In this section, discuss matters of significance to the audit identified either in the audit plan or during the audit. Follow the Supplemental Guidance A—Significant matters framework for communication in the user’s guide when drafting your communication. The auditor should consider other significant matters listed in Supplemental Guidance C—Significant matters arising from the audit in the user’s guide. Where these or any significant matters exists, the auditor shall include appropriate wording and clearly indicate that these matters reflected changing risks and circumstances experienced during the course of audit.

**Optional**

## Define the risk

|  |  |
| --- | --- |
|  | Risk |
|  |
|  | |
|  | Our response |
| * [Describe work performed.] |
|  | |
|  | Our findings |
| [On the basis of our audit work, we do not have any items that we wish to bring to your attention.] |

# Other risks

In this section, discuss matters of significance to the audit identified either in the audit plan or during the audit. Follow the Supplemental Guidance A—Significant matters framework for communication in the user’s guide when drafting your communication.

**Optional**

[Describe any other risks.]

|  |  |
| --- | --- |
|  | Risk  * [Describe work performed.] |
| * [Describe work performed.] |
|  | |
|  | Our response |
| * [Describe work performed.] |
|  | |
|  | Our findings |
| [On the basis of our audit work, we do not have any items that we wish to bring to your attention.] |

# Other risks

**Optional**

## Cybersecurity risk

|  |  |
| --- | --- |
|  | Risk |
| In a hyper-connected world, the rapid pace of technology and data growth has significantly increased entities’ exposure 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 response |
| * [Describe work performed.] |
|  | |
|  | Our findings |
| [On the basis of our audit work, we do not have any items that we wish to bring to your attention.] |



Audit findings

We are required to communicate unadjusted [and adjusted] misstatements including disclosure and the effect that they may have on our opinion.

# Audit findings

**Required**

Management has adjusted the financial statements for some of the misstatements we have found. Management has concluded that the remaining unadjusted items are immaterial, individually and in aggregate.

We have [not] identified [any] unadjusted misstatements that relate to prior periods or those that could affect future periods.

We have concluded that taken as a whole, the financial statements are free of material misstatement.

The overall materiality level (as previously communicated to you) is $XX. [Or, The materiality levels previously communicated to you have changed from $[XX] to $[XX].]

# Audit findings—Unadjusted misstatements

**Required**

| Net current year and prior year recurring unadjusted misstatements | Earnings / Net cost of operations | Statement of financial position | | |
| --- | --- | --- | --- | --- |
| Description | Overstated (understated) | Assets overstated (understated) | Liabilities overstated (understated) | Opening equity / Net liabilities overstated (understated) |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
| Prior year recurring unadjusted misstatements |  |  |  |  |
|  | $ xx | $ xx | $ xx | $ xx |
| **Financial statement disclosure deficiencies** | | | | |
| [List items here] | | | | |
|  | | | | |
|  | | | | |
|  | | | | |

Under Canadian generally accepted auditing standards (GAAS), we are required to ask the Audit Committee to consider adjusting the financial statements for these misstatements.

# Audit findings—Adjusted misstatements

**Optional**

| Net current year and prior year recurring adjusted misstatements | Earnings / Net cost of operations | Statement of financial position | | |
| --- | --- | --- | --- | --- |
| Description | Overstated (understated) | Assets overstated (understated) | Liabilities overstated (understated) | Opening equity / Net liabilities overstated (understated) |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
| Prior year recurring adjusted misstatements |  |  |  |  |
|  | $ xx | $ xx | $ xx | $ xx |
| **Financial statement disclosure deficiencies** | | | | |
| [List items here] | | | | |
|  | | | | |
|  | | | | |

# Visual representation

**Optional**

The preceding information concerning unadjusted [and adjusted] misstatements is summarized in the following chart.

[Insert data visualization chart Summary of Unadjusted and Adjusted Misstatements here.]

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



Other required communications

We are required to communicate certain other matters that may assist you in your oversight of management’s financial reporting and disclosure process.

# Other required communications

**Required**

**Auditors’ independence**—We remained independent of the organization throughout the audit.[Or, The following matter arose subsequent to our Annual Audit Plan and, in our opinion, could reasonably be thought to bear on the question of our independence.] [Describe the circumstances, explain the possible effect, and describe actions taken or proposed by the audit team, if any. Conclude why we believe we remained independent of the organization throughout the duration of the audit. Additionally, if a breach of Independence occurred, report the matter in accordance with the requirements set out by Independence Rule 204.6.]

**Significant difficulties encountered during the audit**—While performing our audit, we did not encounter any difficulties or disagreements with management that would require the Audit Committee’s attention. [Or, While performing the audit, we encountered the following difficulties [disagreements] with [group] management [or component management]. [List here the impact on auditor’s opinion—for example, management’s refusal to allow us to send a confirmation request was unreasonable, or we were unable to get relevant and reliable audit evidence from an alternative audit procedure.]

**Significant deficiencies in internal control**—We have not identified any significant deficiencies in internal control.[Or, During our current [and/or prior-year] audit(s), we identified significant deficiencies that we are required to communicate to the Audit Committee. Please refer to Appendix D for a summary of these deficiencies.]

**Fraud inquiry**—No fraud that involved senior management or employees with a significant role in internal control or that would cause a material misstatement of the financial statements came to our attention as the result of our audit procedures. Additionally, we have observed no other matters related to fraud that are, in our judgment, relevant to your responsibilities. We would like to reconfirm that the Audit Committee is not aware of any such fraud or illegal acts not previously discussed with us. [Or, As a result of our audit procedures, we identified the following fraud or suspected fraud:] [Include discussion of the impact these areas had on the audit, including the nature, timing, and extent of audit procedures necessary to complete the audit.]

**Management letter**—We have identified opportunities for procedural changes that would improve internal control systems, streamline operations, and/or enhance financial reporting practices. We have also reviewed the status of our previous observations, which we sent in a letter to management, and management’s corresponding actions to address them. These will be detailed in our letter to management that has been [will be] issued.

**Management’s representations**—A copy of the requested letter regarding management’s representations is in Appendix E.

We requested our standard representations. [Add if applicable: Additional representations were requested in relation to the following matters: [list matters].]

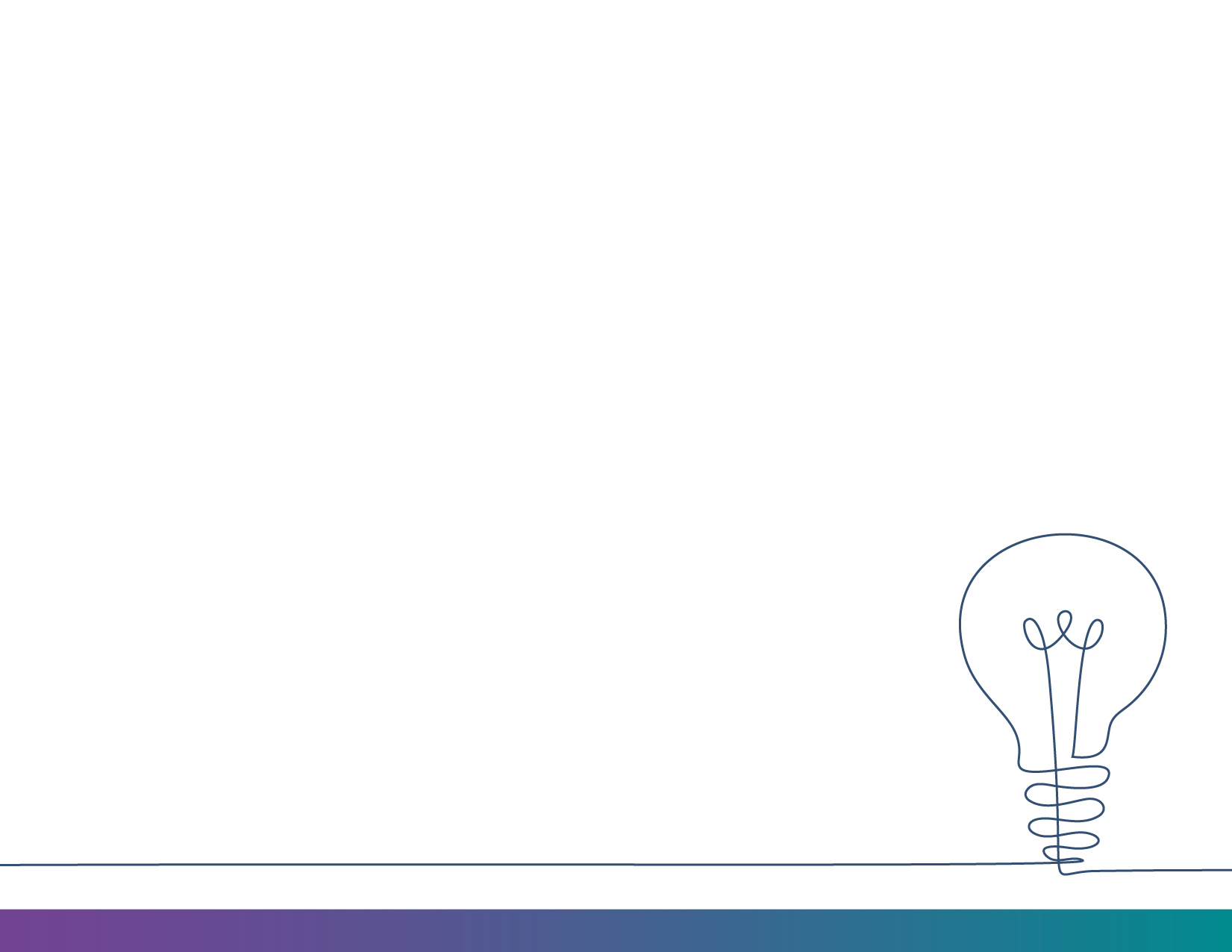
# Other required communications

**Required**

**Other information in documents containing audited financial statements**—[When other information is received before the date of our auditor’s report] We have read the [MD&A and the other information (audit team should list the other information received before the date of the auditor’s report)] and have not identified a material inconsistency between the other information and the financial statements or with the knowledge that we obtained in the audit, in the context of the audit evidence we obtained and the conclusions we reached in the audit. While reading the other information, we remained alert for indications that the other information not related to the financial statements or to the knowledge that we obtained in the audit appeared to be materially misstated. On the basis of our review, we provided comments to management on the [MD&A and/or the other information (if applicable)]. [No instances of information were materially inconsistent with the financial statements or with the knowledge that we obtained in the course of the audit.] OR

[We note the following items that remain inconsistent with the financial statements or are material misstatements of fact:

* xx].
* OR
* [When other information is received after the date of our auditor’s report] We will not receive [list documents containing other information that will not be received before auditor’s report date] before our auditor’s report date. Management will provide these document[s] to us before [its/their] issuance so that we may complete our procedures in accordance with our responsibilities on this other information.
* OR
* [Only include the following paragraph if the entity does not intend to issue other information]: You confirm that you are not required to or do not intend to issue any documents that contain or accompany the financial statements and the auditor’s report thereon.

****

Delivering audit quality

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

The Office of the Auditor General of Canada maintains a system of quality management that supports the consistent performance of quality audit engagements.

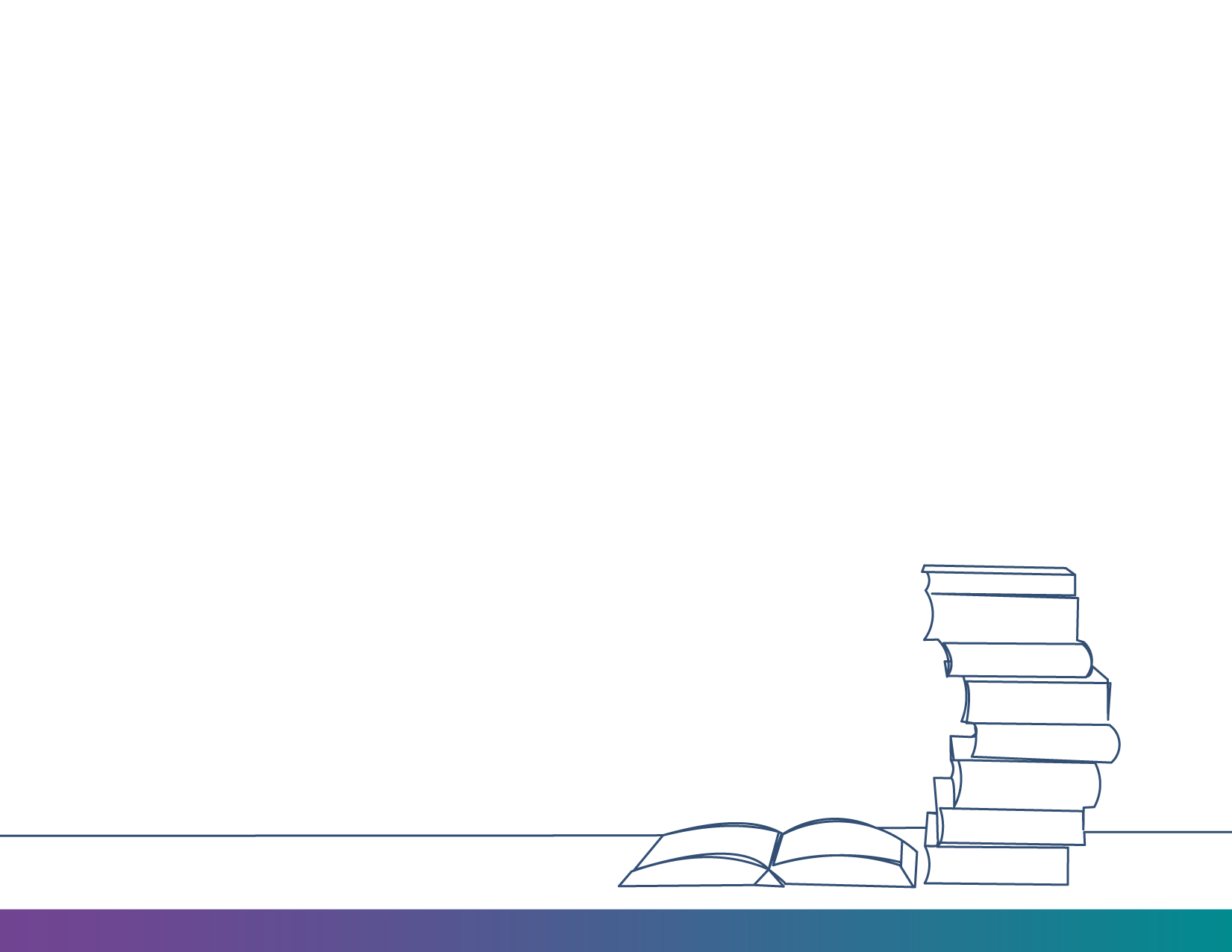
# Audit hours and costs

**Required**

[Name of the entity] is not billed for the professional services that make up the audit. The Office of the Auditor General of Canada is funded directly by Parliament, and our costs are paid from an annual appropriation.

|  | 202[X]  Actual (Estimated) | 202[X]  Budgeted | Difference | [Prior year]  Actual |
| --- | --- | --- | --- | --- |
| Audit hours |  |  |  |  |
| Audit costs [Fully loaded cost plus travel and contract costs] |  |  |  |  |

[Explain any significant differences between actual, budgeted, and prior year’s audit hours.]



Appendices

Appendix A—Draft independent auditor’s report

Appendix B—Other communications

Appendix C—Developments in accounting and auditing standards

Appendix D—Significant deficiencies in internal control [if applicable]

Appendix E—Management representation letter

Appendix F—Audit modernization

# Appendix A—Draft independent auditor’s report

**Required**

[Insert a copy of the draft independent auditor’s report.]

Appendix B—Other communications

**Optional**

**Executive compensation, travel, hospitality, conferences, and events [if applicable]**—We performed procedures related to executive compensation, travel, hospitality, conferences, and events. We observed the following matters that we wish to bring to the Audit Committee’s attention: [Describe matters or state the following: We did not note any matters that we feel should be brought to the Audit Committee’s attention.]

**Special examinations [if applicable]**—The limited procedures that we performed were not designed to enable us to determine whether the organization’s actions would correct the reported deficiencies. Rather, our purpose was to determine whether the organization had taken actions to respond to the reported deficiencies. It would appear that the organization [has OR has not yet)] acted to respond to the following reported deficiency(ies):

**Commentary report [N/A for entities scoped-out]**—[If applicable, please refer to [Commentary on the 2020–2021 Financial Audits—FAQs](http://cmsprd.oag-bvg.gc.ca/intranet/financial-audits/24601_ENC_HTML_PROD.shtm) on our INTRAnet for the information that may be included in the Report to the Audit Committee—Annual Audit Results and for additional information to help prepare for discussions with the Audit Committee.]

Appendix C—Developments in accounting and auditing standards

**Optional**

[If not provided in the RAC–Annual Audit Plan or if significant developments have subsequently occurred, consider providing an update on developments in accounting and auditing standards. Auditors may refer to the [OAG List of New or Amended Accounting and Assurance Standards](http://cmsprd.oag-bvg.gc.ca/intranet/financial-audits/18691_ENC_HTML_PROD.shtm) to identify standards developments applicable to the engagement.]

In addition to the new accounting and auditing standards previously disclosed to you in the Annual Audit Plan, the following recent accounting and auditing developments may be potentially significant to your entity.

[Where there are recently issued or emerging accounting standards, the effect on the organization’s future financial statements may be significant. Accordingly, the auditor may also draw the Audit Committee’s attention to these standards, suggest possible implications, and mention that the auditor is available to discuss the most appropriate financial statement recognition and disclosure with management.]

Appendix D—Significant deficiencies in internal control [if applicable]

**Required if applicable**

During our audit, we identified the following significant deficiencies, which we have discussed with management and wish to bring to your attention.

[Create a table for each significant deficiency.]

| Significant deficiency |
| --- |
| [Provide a description of the deficiencies and potential effects.]  [Note that if our audit strategy does not place reliance on the controls of a significant audit area for reasons other than audit efficiency, **we report the reasons to the committee as a significant control deficiency**. Also note that control deficiencies may often be observed during our procedures to assess the design and implementation of controls even when we are not testing or relying on controls. Significant deficiencies communicated in prior years must be communicated each consecutive year along with a consideration of management’s progress until the deficiency is resolved, regardless of the reason management or those charged with governance have chosen not to respond to the deficiency.] |
| Recommendation |
| [Provide the recommended course of action.] |
| Management’s response  [optional, if available] |
| [Describe how management has responded.]  [If the point was previously communicated, indicate progress toward resolving the deficiency. A failure to act, in the absence of a rational explanation, may in itself represent a significant deficiency.] |

As a result of these significant deficiencies, [indicate the impact on the audit]. We have discussed our concerns with management and have included [will include] them in our letter to management for the purpose of working toward improvement and reliance on controls in future years. We will monitor progress and report our findings to the Audit Committee in our subsequent audits.

Appendix E—Management representation letter

**Required**

[Insert a copy of the management representation letter.]

Appendix F—Audit modernization

**Optional**

[For teams that have presented content on audit modernization in their RAC plans, updating the Audit Committee on this achievement is recommended.]