AUDIT COMMITTEE INSTITUTE

Canadian Audit Committee Update

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IN THIS ISSUE:

The Transition to IFRS: Implications for the Audit Committee

The Governance of Tax — Boost Corporate Value Through Good Tax Management and Communication

Confronting the 'Expectations Gap' Regarding Fraud Detection

Regulatory, Accounting and Auditing Developments

In This Issue

2 **Preface**

4 **Current Issues Dominating the Audit Committee Agenda**

4 The Transition to IFRS: Implications for the Audit Committee

8 **Financial Reporting Updates**

8 Regulatory and Other Developments

12 Accounting Developments

17 Auditing Developments

20 **Audit Committee Evolving Issues**

20 The Governance of Tax — Boost Corporate Value Through Good Tax Management and Communication

24 Confronting the 'Expectations Gap' Regarding Fraud Detection

28 **Audit Committee Resources**

31 **Acronyms Defined**

32 **About KPMG**

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Preface

Begin preparing now for the transition to IFRS.

Good tax management provides organizations with a competitive advantage.

We are pleased to provide you with the 2007-01 issue of KPMG's *Canadian Audit Committee Update.*

Canada has announced that generally accepted accounting principles, as we currently know them, will cease to exist for all publicly accountable enterprises as at a target date in 2011. From that date onward, publicly traded companies will be required to report under International Financial Reporting Standards.

But 2011 seems far off—so why be concerned now? The answer is simple—this announcement marks a fundamental shift in financial reporting that will affect many areas of an enterprise.

The audit committee has an important role to play in the transition to IFRS by being a catalyst for management to start thinking now about the change to IFRS and considering its potential effects on the company's accounting and financial reporting, business systems and processes, and people. Converting to IFRS is much more than an accounting compliance issue.

In Current Issues Dominating the Audit Committee Agenda, we describe where the audit committee should focus its oversight attention and some of the issues it should consider during the transition. The article looks at the timelines to move to IFRS and highlights lessons learned from enterprises that have previously moved to IFRS in Europe, Australia, and other countries.

In Financial Reporting Updates we outline significant regulatory, accounting and auditing rules, standards and projects issued since our *Canadian Audit Committee Update* – Fall 2006.

Audit Committee Evolving Issues contains two thought-provoking articles, one concerning the governance of tax and the other dealing with stakeholders' expectations of the auditor's role in detecting fraud.

KPMG is committed to taking a leading role in the debate on good corporate governance and tax management. The article, *Governance of Tax*, is an abstract from a longer paper from KPMG International. It explains how companies can turn their tax policies into competitive advantages through good tax management and by adopting clear, carefully considered communication of its tax affairs. The abstract suggests that leading organizations

- have a clear, defendable position on how tax and tax risk are managed
- have a well-documented, board-approved tax strategy

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- have an enterprise resource planning system able to provide useful tax information
- present tax information in a clear, meaningful way to both internal and external stakeholders
- seek to influence the tax debate between taxpayers and the tax authorities.

Confronting the 'Expectations Gap' Regarding Fraud Detection, represents the thoughts of leaders of six of the largest global audit networks regarding the future of financial reporting, the role of the auditor in detecting fraud, and stakeholders' expectations.

Perhaps no single issue is the subject of more confusion, yet is more important, than the nature of the obligation of auditors to detect fraud or intentional material misstatement of financial information by public companies. After all, fraud was at the centre of various corporate financial reporting scandals earlier this decade.

Confusion exists about the auditor's responsibility to detect fraud.

It is essential that all parties engaged in business reporting—employees, management, directors, auditors and policy makers—put in place appropriate procedures and policies to prevent and detect fraud. Nonetheless, there is a significant 'expectations gap' between what various stakeholders believe auditors do or should do in detecting fraud, and what audit networks are actually capable of doing, at the prices that companies or investors are willing to pay for audits. The profession is committed to continuously improving its ability and methodology to detect fraud, and this extract from the thought leadership paper presents additional ideas for enhancing fraud detection.

In Audit Committee Resources, we identify additional resources to help audit committee members meet today's challenges.

KPMG is committed to helping audit committee members fulfill their responsibilities by

- communicating regulatory, accounting, and auditing changes
- addressing current and emerging issues
- sharing audit committee leading practices.

We hope this publication provides you with relevant, timely information that supports your decision making.

We encourage those in the financial reporting process—management, internal auditors, external auditors, and audit committee members—to discuss the financial reporting and other matters included in this issue of *Canadian Audit Committee Update*. While the ultimate impact of certain recommendations may depend upon decisions yet to be made at various regulatory and standard-setting bodies, other elements can be evaluated and implemented, as appropriate, by those involved in the financial reporting process.

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Current Issues Dominating the Audit Committee Agenda

This section explores current events and issues and their implications for audit committees. In this edition, we discuss the audit committee's role in the oversight of an enterprise's transition to IFRS. Readers are encouraged to consult the rules and their advisers for further guidance.

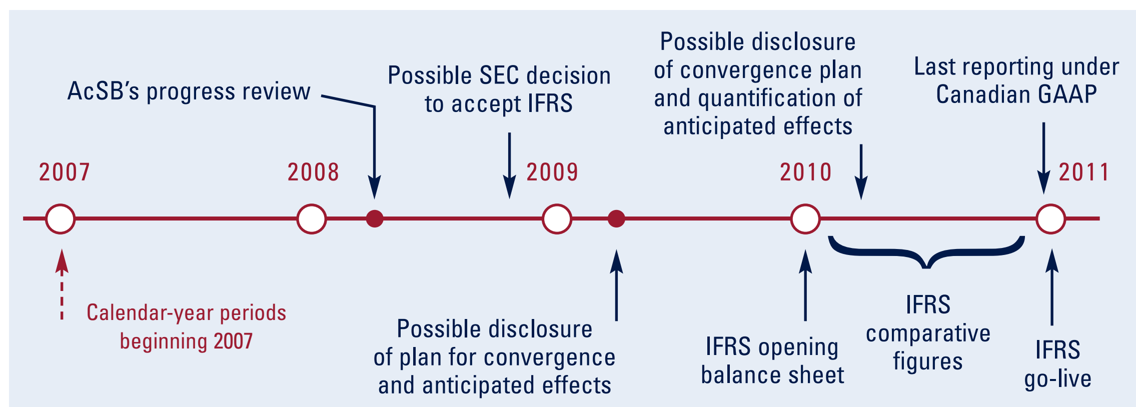
The Transition to IFRS: Implications for the Audit Committee

The Canadian Accounting Standards Board has announced that generally accepted accounting principles, as we currently know them, will cease to exist for all publicly accountable enterprises as at a target date in 2011. From that date onward, these enterprises will be required to report under International Financial Reporting Standards. With this move, Canada will join over 100 countries, including five of the G8 countries, in applying IFRS, a single set of globally accepted, high-quality accounting standards.

The publicly accountable enterprises affected by this change include publicly traded companies and certain other organizations holding assets in a fiduciary capacity for large or diverse groups of users. Canadian SEC registrants may have additional options, depending on future SEC decisions affecting foreign filers.

But 2011 seems far off in the future—so why be concerned now? The answer is simple—this announcement marks a fundamental shift in financial reporting that will affect all areas of an enterprise. Also, as the chart illustrates, enterprises may experience the first impact of this change sooner than they expect—as early as 2008.

Timeline for adoption of IFRS



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Further, certain Canadian standards will likely converge with IFRS prior to 2011. The AcSB wants to minimize at least some of the differences between Canadian GAAP and IFRS at the changeover date, and has identified standards for early convergence including inventories, business combinations, income taxes and earnings per share.

Canadian enterprises will therefore have to make a phased transition to IFRS over the next few years.

How should the audit committee be preparing for this change?

Management may have already started or should begin very soon to develop its transition plans for the enterprise. The experiences of companies who have already converted to IFRS suggest that planning and executing an effective transition is no small task.

The audit committee should therefore begin its thinking about this transition to IFRS—the potential impact on the enterprise as well as its financial reporting—and what issues the committee needs to consider in providing its oversight. For example, the audit committee's focus will likely include the following.

Management's plan for transition

Management's transition plan should demonstrate that it clearly understands the extent of change—identifying all key conversion activities, the timetable, the resources required, and education for people throughout the enterprise (not just in finance) who will be affected by the changeover.

The audit committee will want to be comfortable with management's plan, its timing, project management, and the adequacy of resources. This plan can serve as a basis for the audit committee's developing its own oversight plan for the IFRS transition. Both the audit committee and the board will need to be well informed about the progress of management's implementation of the transition plan.

Impact on management reporting, operating and control systems

Management's transition plan should consider the impact on systems and processes, whether change is required, and how to maintain controls and the integrity of information through the transition period. The upcoming requirements for CEO and CFO certifications on the effectiveness of internal control over financial reporting add another dimension to any systems changes.

The audit committee will need to consider the transition to IFRS within the context of its ongoing responsibilities for oversight of internal control and related disclosures.

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How do IFRS and Canadian GAAP actually compare?

In IFRS, the standards themselves are comprehensive and principles-based. These standards have few "bright lines," and their application requires even greater use of professional judgement than Canadian GAAP. More accounting policy choices are available in IFRS, so taking time now to evaluate these choices may enable enterprises to generate valuable outcomes in the long run.

While IFRS include some standards that appear to be very similar to existing Canadian standards, remember that the "devil is in the details". Do not underestimate the effort required to understand and apply such standards. Also remember that IFRS include some broadly applicable standards, such as impairments and provisions, that differ substantially from those under Canadian GAAP. Make understanding these standards a high priority when developing conversion plans.

Implications for audit committee members' financial literacy and/or expertise

To fulfill the audit committee's oversight of financial reporting, audit committee members are expected to be financially literate. With the transition to IFRS, committee members must not only understand the key differences between IFRS and Canadian GAAP, but also be able to discern the likely effect of accounting policy choices and the transition on the company's financial picture. As noted earlier, IFRS requires even greater use of judgement than Canadian GAAP. Members should have a good understanding, not just an awareness, of IFRS accounting principles.

The audit committee must obtain sufficient knowledge of IFRS and the transition process. Members need to be able to understand and question management's accounting policy choices and assumptions and effectively oversee the convergence of specific standards as well as the overall transition. Committee members may choose to attend external education programs, be briefed by management, the external auditors or others, and/or engage in self-study.

To support board effectiveness and potential succession of audit committee members, other directors on the board may require similar education.

Implications throughout the enterprise of IFRS-based reporting

The change to IFRS from Canadian GAAP will have implications not only for financial reporting and areas such as taxation and financing, but also for management reporting, budgeting and forecasting throughout the organization. In particular, it may affect the enterprise's key performance indicators, and therefore performance-related compensation.

The audit committee itself will want to understand and be comfortable with management's approach for identifying and resolving potential issues. The committee will also want to ensure that the board and other board committees, such as the compensation committee, understand and are comfortable with changes that the IFRS transition may trigger.

Educating the enterprise's stakeholder community

A broad group of stakeholders will likely need help in understanding the changes that the transition will trigger in management and financial reporting as well as operations. In the short term, this focus should include the board and board committees, and over time it will extend to broad groups of external stakeholders (suppliers, investors, analysts, lenders, creditors). The transition to IFRS will significantly change each enterprise's financial statements, and these groups may need to understand the nature of the accounting policy changes and the potential impact of these changes on the accounting information they use.

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The audit committee will want to be confident throughout the transition process that management is anticipating the information needs and perceptions of stakeholders, including shareholders and analysts, and addressing them appropriately.

Anticipating "bumps in the road" – what can we learn from the experience of others?

Canadian enterprises, and their audit committees, are fortunate in the timing of our move to IFRS in that we can learn from those enterprises in Europe, Australia, and other countries that have already completed this transition. Among their lessons learned, many enterprises mentioned that they:

- underestimated the scale of the undertaking including the time to complete and/or resources required
- waited too long to get started and spent insufficient time in upfront planning
- lacked support from senior management in the early stages of the project
- suffered from poor project management and failed to create a formal process for identifying and resolving issues
- needed to invest heavily in training finance staff, upgrading IT systems, and renegotiating contracts (debt agreements and financial covenants, compensation, and other agreements)
- should have involved the auditors—both internal and external—throughout the transition process
- saw the accounting rules as "quite similar," but found that small differences can matter a lot
- should have spent more time communicating to stakeholders about what would be affected by the change to IFRS.

While management of Canadian organizations will likely incorporate these lessons into their transition plans, individual audit committees can use these lessons to strengthen their oversight plan while watching for potential bumps along the way.

Begin now

Clearly, the audit committee should talk soon with management about its plans for making the transition to IFRS—and begin to think about its own oversight plan. While an enterprise's conversion to IFRS will take several years, the audit committee certainly will be involved in the journey.

For more information about IFRS and the transition in Canada, visit our Web site at www.kpmg.ca/ifrs.

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Financial Reporting Updates

In this section, we identify recent significant regulatory, accounting, and auditing rules, standards and projects issued since our *Canadian Audit Committee Update* – Fall 2006, and future projects of broad interest to audit committees. The following discussion is a general summary intended only to increase awareness of financial reporting developments. Readers should consult their financial advisers and the original pronouncements for detailed guidance on the application of these standards.

Regulatory and Other Developments

We highlight here recent significant regulatory and other developments in Canada and the US.

Canadian Developments

OSC Staff Notice 51-706, *Corporate Finance Report (2006)*

OSC staff issued this report of findings and recommendations arising from recent prospectus and continuous disclosure reviews.

A total of 471 continuous disclosure reviews were performed in fiscal 2006, up 19 per cent from the previous year. The level of review (full, issue-oriented, screening, or targeted) was based on a risk-based approach. Some of the more significant issues identified by the OSC include

OSC review highlights areas of significant concern in continuous disclosure documents.

- Inadequate disclosure of significant accounting policies. An area of particular concern was the failure by issuers to disclose separate accounting policies for each type of revenue arrangement.
- Potential inappropriate revenue recognition. OSC staff is concerned about revenue contracts with multiple deliverables being inappropriately accounted for, thereby affecting the timing of revenue recognition. Issuers should be prepared to support their methodology.
- Lack of recognition of an impairment of goodwill despite potential indicators. Issuers are cautioned to utilize an appropriate valuation technique. The use of an external valuator is recommended.
- Potential inappropriate measurement and disclosure of related party transactions. Situations in which related party transactions are recorded at the exchange amount were closely analyzed by OSC staff. For transactions in the normal course of business, issuers should be prepared to demonstrate that the transaction has commercial substance. For transactions not in the normal course of business, issuers should be prepared to provide independent evidence that supports the transaction's exchange amount. In addition, OSC staff noted that there was a lack of substantive disclosure in the MD&A about the details of related party transactions, including their business purpose and the measurement basis used.

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- Concern about the appropriateness of the future tax assets recognized and the use of a valuation allowance. Issuers are required to have proper support for their position.
- Inappropriate use of non-GAAP measures including failure to identify a non-GAAP financial measure, failure to provide equal prominence of GAAP measures, and failure to explain why the non-GAAP measure is meaningful for investors.
- Deficiencies in the MD&A including inappropriate disclosure of liquidity, lack of meaningful discussions, lack of quantitative information and a lack of conclusion on the effectiveness of disclosure controls and procedures.
- Inadequate disclosure of executive compensation. Issuers are encouraged to provide information that adequately captures all material executive compensation information even if it goes beyond the existing regulatory requirements.

Proposed Revised 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings*

Details of each reportable deficiency must be disclosed in MD&A.

This proposal would replace and expand upon the current requirements for CEO and CFO certification. The proposal applies to all reporting issuers, other than investment funds. Reporting issuers that were exempt from the current requirements, as a result of complying with the Sarbanes-Oxley Act, are also exempt from the proposal.

Key changes from the existing rule include

- The CEO and CFO must design or supervise the design of disclosure controls and procedures and internal control over financial reporting. A design accommodation for venture issuers related to ICFR has been created.
- For periods ending after June 29, 2008, the CEO and CFO must certify that they have evaluated or supervised the evaluation of the effectiveness of the issuer's ICFR and disclosed in the annual MD&A their conclusions about the effectiveness of ICFR at the financial year-end. The companion policy provides more guidance as to the nature of the evidence required to support the certification, including documenting the design of controls.
- MD&A disclosure is required for each reportable deficiency, a new term related to ICFR.
- Joint ventures, variable-interest entities, and business acquisitions meeting certain conditions may be scoped out.
- The wording of the certificates has been amended, primarily to reflect the changes noted above.

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Future-oriented financial information rules now apply to earning guidance provided by the company.

The proposal provides for more extensive disclosures in MD&A. Members of the audit committee and the board of directors need to understand the proposal since the board must approve the issuer's annual MD&A before it is filed with a securities regulator.

Proposed Rescission of NP 48, *Future-Oriented Financial Information* and Amendments to NI 51-102, *Continuous Disclosure Obligations*

This proposal would eliminate NP 48 and place all requirements for forward-looking financial information in one rule, NI 51-102. As a result, the provisions for future-oriented financial information currently contained in NP 48, would now also apply to financial outlooks such as earnings guidance. The proposal would require issuers to

- have a reasonable basis for forward-looking information
- comply with certain general disclosure principles: the forward-looking information should be identified, users should be cautioned that actual results will vary, material factors or assumptions used to develop the information and the issuer's policy for updating the information should be disclosed
- discuss in the MD&A events that occurred during the MD&A period that are reasonably likely to cause actual results to differ materially from previously released material forward-looking information
- disclose in MD&A material differences between actual results and previously released future-oriented financial information
- discuss a decision made during the MD&A period to withdraw any previously released material forward-looking information.

In addition, the proposal would remove the requirement that an auditors' report accompany future-oriented financial information and provide that the updating, comparison to actual and withdrawal disclosure requirements would not apply to oil and gas and mining issuers.

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Proposed Changes to NI 41-101, *General Prospectus Requirements*

Prospectus and continuous disclosure requirements are to be harmonized.

Recently, the CSA issued a proposal to harmonize the prospectus and continuous disclosure requirements across Canada.

The proposed changes harmonize long form prospectus requirements with previous amendments to NI 51-102, *Continuous Disclosure Obligations* and the short form prospectus rules, consolidates the core requirements applicable to both long and short form prospectuses, clarifies that material contracts excluded from the "ordinary course of business" still must file under the continuous disclosure rules, creates a new prospectus form for investment funds that are not mutual funds and makes conforming amendments to other instruments.

US Developments

SEC Final Rule: *Deregistration for Foreign Private Issuers*

Rule makes SEC deregistration easier for foreign companies.

Recently, the SEC approved rules that make it easier for foreign companies to discontinue their reporting requirements under the *Securities Exchange Act*.

To qualify for deregistration, an entity can use either a trading-volume or resident-security-holder test. The trading-volume test permits foreign private issuers that have met specified requirements to deregister if the average daily trading volume of their US equity securities is 5 per cent or less of the worldwide average daily trading volume during a "recent" 12-month period. A "recent" 12-month period is defined as a period of 12 calendar months that ends no more than 60 days before filing the new deregistration form. The resident-security-holder test permits entities with fewer than 300 US resident security holders to deregister. The revised rule is effective June 4, 2007.

SEC Announcement: Plans to Allow IFRS in Filings

SEC seeks comments on proposal to allow issuers to use IFRS rather than US GAAP in filings.

Recently, the SEC announced plans to issue a proposing release requesting comments on rule changes that would give foreign private issuers a choice between using IFRS or US GAAP in their filings, and a concept release to obtain comments on whether the same choice should be made available to US issuers. The potential rule changes could eliminate the requirement for foreign private issuers to reconcile their IFRS financial statements to US GAAP beginning with 2008 calendar-year financial statements, provided they apply IFRS as issued by the IASB.

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Accounting Developments

We highlight here certain significant new accounting standards issued in Canada and in the US since our *Canadian Audit Committee Update* – Fall 2006. We also describe current and future projects underway regarding new accounting standards in Canada that indicate the direction of future standards.

Recently Issued Guidance – Canada

HB 3031, *Inventories*

Recently, the AcSB issued standards to replace existing guidance on accounting for inventories.

Significant changes made to the standards on accounting for inventories.

The standards are applicable to inventories of all entities except work in progress under construction contracts, financial instruments, and contributions not recognized by not-for-profit organizations. Specific guidance is provided for not-for-profit organizations for the measurement of contributed materials and services, and for inventories to be distributed at no charge or for a nominal charge. The standards also provide specific scope exemptions, from the measurement requirements only, for certain agricultural products, mineral products, and commodity broker-traders.

The standards call for significant changes to the measurement of inventory. These changes include

Overhead costs must be included in inventory.

- the elimination of the LIFO method of accounting for inventory
- the requirement to measure inventories at the lower of cost and net realizable value
- the allocation of overhead based on 'normal' capacity
- the use of the specific cost method for inventories that are not ordinarily interchangeable, or goods and services produced for specific purposes
- the requirement for an entity to use a consistent cost formula for inventory of a similar nature and use
- the reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories.

In addition, disclosure requirements have been enhanced. Inventory policies, carrying amounts, amounts recognized as an expense, write-downs and the reversals of write-downs are now required to be disclosed.

The standards are effective for interim and annual periods relating to fiscal years beginning on or after January 1, 2008. Earlier adoption is encouraged.

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Revised HB 1540, *Cash Flow Statements*

Amended standards on disclosure of cash distributions.

Recently, amended standards were issued to require all entities to disclose information about the terms and conditions of cash distributions of financial instruments classified as equity, in accordance with their contractual arrangements; and require the disclosure of total cash distributions for the period, including the extent to which cash distributions are non-discretionary.

These amendments are effective for interim and annual financial statements for fiscal periods ending on or after March 31, 2007.

Revised HB 3865, *Hedges*

Recently, the AcSB revised these standards to provide further details on the transitional provisions to clarify which gains and losses are to be carried forward after transition and which are to be recognized in retained earnings upon transition.

Revised AcG-15, *Consolidation of Variable Interest Entities*
Revised AcG-18, *Investment Companies*

Recently, these guidelines were amended to exempt investments that are accounted for at fair value under AcG-18 from the consolidation requirements of AcG-15.

Abstracts from the Emerging Issues Committee – Canada

We highlight here certain abstracts from the Emerging Issues Committee. This is not a comprehensive listing of all recently issued abstracts.

EIC-165, *Accounting by an Investor upon a Loss of Significant Influence*

Guidance on how to account for the proportionate share of an investee's equity adjustments for OCI, upon loss of significant influence.

This abstract provides guidance on how an investor that loses significant influence in an investee should account for the amount the investor has in accumulated other comprehensive income for its proportionate share of the investee's equity adjustments for other comprehensive income.

The amount recorded by the investor in AOCI for the investor's proportionate share of an investee's equity adjustments for OCI should be deducted from, or added to, the carrying value of the investment at the time significant influence is lost. The carrying value of the investment should not be recorded at an amount less than zero. If this adjustment would result in the carrying value of investment being less than zero, the investment is reduced to zero and the remaining balance is recorded in income.

The accounting treatment is to be applied retrospectively to all financial statements for interim and annual reporting periods ending after March 31, 2007. Earlier adoption is encouraged.

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EIC-164, *Convertible and Other Debt Instruments with Embedded Derivatives*

This abstract replaces the guidance previously provided in another abstract.

The abstract provides guidance on the presentation and disclosure of a debt instrument that is convertible into a fixed number of common shares. Upon conversion, the issuer is either required or has the option to satisfy all or part of the obligation in cash. The debt instrument may also contain an embedded issuer call option or a holder put option.

The abstract assumes that the issuer has the right to call the entire instrument for redemption prior to maturity for its redemption value and, if the entity calls the instrument prior to maturity, the holder is assumed to have the right to exercise the conversion feature prior to the call option being exercised.

Revised EIC-103, *Related Party Transactions – Meaning of Substantive Change and Measurement of Change in a Transfer of Ownership Interests*

Guidance provided on the accounting for a transfer of a VIE to a related party.

This abstract was amended to provide guidance on accounting for the transfer of an item to a related party that is a variable interest entity within the scope of AcG-15 for which the transferor remains the primary beneficiary where the transferor does not have voting control or joint control over the VIE before or after the transfer.

The abstract concludes that because the transferor still controls the transferred item through the VIE, the nature of the relationship of the transferor to the transferred item has not changed.

Revised EIC-88, *Debtor's Accounting for a Modification or Exchange of Debt Instruments*

This abstract was amended to clarify what a fee or cost is in relation to the modification or exchange of a financial liability.

Amendment clarifies the definition of a fee or cost.

A fee is defined as an amount paid by the debtor or received from the creditor in order to compensate the other party for changes to the financial liability such as risk, timing, amount or yield.

A cost is defined as any cost incurred as part of the modification of the original financial liability such as fees and commissions paid to agents, brokers, and dealers; levies by regulatory agencies; and transfer taxes and duties. Costs do not include debt premiums or discounts, financing costs, internal administrative costs or holding costs.

Both fees and costs must be incremental amounts that would not have been incurred had the entity not modified or exchanged the financial liability.

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Projects to Develop Future Guidance – Canada

ED – *Employee Future Benefits*

The overfunded or underfunded status of a pension plan is to be recognized on the balance sheet.

An exposure draft has been issued that proposes to recognize the funded status of an entity's post retirement defined benefit plan on the balance sheet and to measure plan assets and obligations as of the balance sheet date. The exposure draft adopts guidance issued under US GAAP. The AcSB does not believe that these changes deviate from its plan to transition to IFRS as the changes converge Canadian GAAP with IFRS in some important respects and do not create differences with IFRS that would require significant system or procedural changes upon changeover to IFRS.

The recognition and related disclosure provisions are proposed to be effective for financial statements of publicly accountable entities for fiscal years ending on or after December 31, 2007, and December 31, 2008, for non–publicly accountable entities. The measurement date provisions are proposed to be effective for fiscal years ending on or after December 31, 2008.

ED – *Internally Developed Intangible Assets*

The purpose of this project is to establish a principles-based approach to the deferral of costs under the current definition of assets and the recognition principles in the conceptual framework.

An exposure draft has been issued to amend certain standards to remove any ambiguity about the rationale for recognition of assets. However, subsequent to the release of the exposure draft, the AcSB decided to modify the original scope of the project to achieve a closer alignment with the related international standard.

Proposal would eliminate from Canadian GAAP the recognition and measurement guidance for rate-regulated operations.

ED – *Rate-Regulated Operations*

Recently, the AcSB approved an exposure draft proposing that all recognition and measurement guidance relating specifically to rate-regulated operations be eliminated from Canadian GAAP. Other sections of the Handbook that mention rate-regulated operations but do not provide recognition and measurement guidance relating specifically to this sector are unaffected by this proposal.

If approved, these amendments would be applicable to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009.

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Recently Issued Guidance – United States

SFAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities*

This statement permits entities the option to measure financial instruments at fair value (fair value option) thereby achieving an offsetting effect for accounting purposes for certain changes in fair value of certain related assets and liabilities without having to apply hedge accounting.

An option to measure financial instruments at fair value is introduced.

The fair value option is applied on an instrument-by-instrument basis (with limited exceptions) to the entire instrument (not a portion of an instrument). Items eligible for the fair value option are measured at fair value at specified election dates. The fair value option is irrevocable.

The following items are eligible for the fair value option:

- recognized financial assets and financial liabilities (with exceptions)
- firm commitments that would otherwise not be recognized at inception and that involve only financial instruments
- non-financial insurance contracts and warranties that the insurer can settle by paying a third party to provide those goods or services
- host financial instruments resulting from separation of an embedded non-financial derivative instrument from a non-financial hybrid instrument.

Unrealized gains and losses on items for which the fair value option has been elected are recorded in earnings at each reporting date.

This statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. Early adoption is permitted provided the entity also elects to apply SFAS 157, *Fair Value Measurements*. Retrospective application to fiscal years preceding the effective date (or early adoption date) is prohibited.

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Auditing Developments

Standards outline the auditor's responsibilities in conducting an agreed-upon procedures engagement regarding ICFR.

We highlight here recent significant CICA Auditing and Assurance Standards Board projects issued since our *Canadian Audit Committee Update* – Fall 2006 and significant projects to provide future guidance.

Recently Issued Guidance

HB 9110, *Agreed-Upon Procedures Regarding Internal Control over Financial Reporting*

Recently, the AASB issued standards to outline the public accountant's responsibilities in conducting an agreed-upon procedures engagement regarding internal control over financial reporting. The standards also address the form and content of the report that the public accountant issues in connection with such an engagement.

The standard addresses the following matters:

- no opinion is given as a result of the procedures performed—findings are reported and management must draw its own conclusions from these findings
- management is solely responsible for determining the sufficiency and appropriateness of the agreed-upon procedures for its purpose
- the auditor should report findings only from the procedures that the auditor has performed
- the auditor's report makes it clear that no assurance, whether positive or negative, is being provided.

Matters such as engagement letters, the form and content of the auditor's report and the documentation of work performed are also addressed.

The standard does not deal with how to communicate incidental matters, which may be of interest to the engaging party, identified by the auditor while performing the agreed-upon procedures.

The standard is effective for engagements entered into on or after May 1, 2007.

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Projects to Develop Future Guidance

EDs of Canadian Auditing Standards – Convergence with International Standards

In early 2006, the AASB obtained significant support from stakeholders for adopting International Standards on Auditing. ISA are developed and issued by the International Auditing and Assurance Standards Board. The IAASB is currently undertaking its clarity initiative to amend the ISA to make them even more understandable and help improve their implementation. This process is targeted to be completed by the middle of 2008.

The AASB has issued a number of exposure drafts based on international standards. Simultaneous with the issue of an exposure draft of an ISA, the AASB issues an equivalent exposure draft of a Canadian Auditing Standard. The CAS is based on the ISA and follows the equivalent numbering pattern.

The earliest effective date for the new CASs will be no earlier than for periods beginning on or after December 15, 2008.

ED – *Assistance to Directors* (formerly *Comfort to Directors*)

Recently, the AASB issued a draft guideline to assist an auditor who receives a request by the directors (or the audit committee) to provide comfort to them with respect to continuous disclosure documents such as the MD&A, the AIF, the annual report to shareholders, interim reports, or earnings press releases.

Auditor's assistance to directors for continuous disclosure documents is addressed.

In response to these requests, the proposal provides guidance to the auditor on a number of matters including:

- information the auditor may wish to confirm in a letter to the audit committee as to the nature and limitations of the auditor's procedures
- additional assistance the auditor can provide in the form of a comfort letter on other information in a continuous disclosure document
- agreeing on the terms of an engagement to provide comfort on continuous disclosure information
- additional information the auditor may wish to confirm in a letter to the audit committee with respect to such an engagement
- reporting on procedures and the results thereof
- comfort on prospective information
- comfort on information that is not determined in accordance with GAAP.

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ED – *Communications with Actuaries*

Auditor to "consider" the work of an actuary rather than "use" the work of actuary.

Recently, the AASB issued an exposure draft to revise the existing standards, including the Joint Policy Statement appended to the standard. Approval of these proposed revisions is subject to final approval of the Joint Policy Statement by the AASB and the Canadian Institute of Actuaries.

The Joint Policy Statement has been revised as a result of concerns expressed by actuaries over changes in AuG-43, *Audit of Policy Liabilities of Insurance Companies*. Actuaries are concerned that both the management of pension plan sponsors and their auditors are placing too much reliance on the actuary's calculations of employee future benefits. Therefore, the revisions to the Joint Policy Statement are intended to clarify the respective roles and responsibilities of the actuary and the auditor regarding financial statement components that reflect employee future benefits.

The proposed revised Joint Policy Statement places more emphasis on the auditor's need to obtain corroborating evidence so that the auditor's (not the actuary's) work provides the principal evidence for the auditor's opinion. Accordingly, references to the auditor "using" the work of the actuary as audit evidence have been eliminated and replaced by references to the auditor "considering" the work of the actuary in performing the audit.

* * * * * *

The descriptive and summary statements included in the Financial Reporting Updates section are not intended to substitute for the original rules, standards, and pronouncements. All relevant facts and circumstances should be evaluated to arrive at situation-specific conclusions. Persons who apply these rules, standards and pronouncements may want to consult their advisers.

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Audit Committee Evolving Issues

Increasingly, investors and other non-owning stakeholders are beginning to include tax management in their evaluation of the effectiveness of corporate governance. The first article below examines the importance of good tax management and the need for an enterprise to adopt clear, carefully considered communication of its tax affairs.

The second article is an extract from a paper by the leaders of six of the largest global audit networks discussing the obligation of the auditor to detect fraud or intentional material misstatement of financial information. The auditor's responsibility to detect these matters remains a subject of confusion for many people. In this article, the authors discuss this 'expectations gap' and provide ideas to enhance fraud detection.

The Governance of Tax — Boost Corporate Value Through Good Tax Management and Communication

Today's businesses are facing increasingly rigorous regulation and growing pressure from a variety of stakeholders, internal and external, to demonstrate that they're well run, responsible organizations. As a result, the fields of corporate governance and social responsibility have moved to centre stage.

The management of tax has become one of the criteria by which corporate governance is judged by investors and important non-owning stakeholders such as regulators, tax authorities and the media.

The challenge for companies is how to comply with increasing regulation and more vocal stakeholder expectations while remaining competitive and flexible. KPMG's recently published discussion paper, *The Governance of Tax*, available at www.kpmg.ca, explains how companies can turn their tax policies into competitive advantages by good tax management and adopting clear, carefully thought-through communication of its tax affairs.

The "responsible" taxpayer

Political developments, demographic trends and demands for high-quality services in developing countries have led to growing pressure on public finances all over the world. This in turn has led to increased scrutiny of the business conduct of multinationals. There have also been concerted efforts to add a dimension of corporate social responsibility to tax management by questioning the "fairness" of tax planning.

An increasingly heated debate, fuelled in part by pressure groups, about what is "acceptable" tax behaviour has put boards in a quandary. Despite the legal obligations of directors to endeavour to minimize costs and maximize

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shareholder value, there is evidence of a creeping conservatism on tax at many large companies as a result of this uncertainty.

There appears to be a belief among tax authorities that many businesses are somehow shirking their tax responsibilities, even though many companies believe they have good tax compliance records and low risk profiles with the tax authorities. Despite this, companies will probably have to accept greater transparency if they are to close the "trust gap" between taxpayer and tax authorities.

Is tax on the board's agenda?

Often tax is regarded as a specialist area and thus may not be adequately addressed at the board level.

Although boards have made real progress toward recognizing tax as a key issue, tax has become simultaneously more complex and demanding—and thus harder to grasp. This has led some companies to continue to regard tax as a specialist area, indigestible at the board level. The consequences can include lost opportunities, poor communication of material tax issues, ill-informed boards, and tax departments exposed to undue risk.

Corporate sustainability includes tax

The reputation of a company emerges from its results over time, and a key component of a good reputation for investors, analysts and regulators alike is a lack of surprises. Sustainability, the ability to sustain performance at a given level over a period of time, will therefore be a major target in any corporate strategy.

Logically, this "sustainability" requirement must include tax. Companies should therefore think about whether their tax reports to external stakeholders are contributing to the general impression that they project sustainability. So far, this requirement is usually interpreted as the company's ability to maintain a steady rate of tax in the published accounts. Other disclosures, for example, losses available to offset against future profits and the status of tax authority investigations, are also relevant. The challenge is to know what stakeholders expect to hear, to recognize that these expectations are evolving and to manage communications accordingly.

Clear and open reporting improves transparency, but it does not by itself deliver sustainability. One must delve deeper and analyze how tax is managed as well as reported.

Good tax management can create value

The inclusion of tax management as an important component of corporate governance gives companies an opportunity to gain a competitive advantage by spelling out their tax policies and their attitudes to tax risk clearly and consistently to external stakeholders.

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Communication of tax policies and attitudes can create competitive advantage.

Leading organizations in the tax field typically

- have a clear, defendable position on how tax and risk are managed
- have a well-documented, board-approved tax strategy
- have an enterprise resource planning system able to provide useful tax information
- present tax information in a clear, meaningful way to both internal and external stakeholders
- seek influence in the tax debate between taxpayers and the tax authority.

Clear communication is key

Good management of tax is only part of the task. Clear, credible communication has to be at the heart of a company's approach to tax. Companies may want to consider an "outside in" approach that starts with various stakeholders' requirements for information, which drive the board's need for knowledge on tax matters, which in turn drives the organization and resourcing of the tax department.

The starting point for any communications plan is to know your audience. Most corporations' external audience falls into four broad categories:

- investors, including investment analysts and the financial press
- tax authorities, governments, local authorities, and regulators
- suppliers and customers
- non-governmental organizations, and pressure and community groups concerned with a wide range of public interest issues.

Once a company has a picture of its prospective audience, it needs to decide what "transparency" means for it in communicating with these groups. This meaning can vary depending on the stakeholder involved, the board's attitudes to disclosure and communication in general, and relevant regulatory requirements. Information should be useful and relevant to the particular stakeholder to avoid "over-reporting."

Once the company has decided what it wants to say to external stakeholders, it should consider what the board needs to know to transmit the right messages. The board's information requirements should be reviewed regularly to ensure they are up-to-date. Board briefing material will normally include information on strategy, risk profile, principles, current tax risks in each market and business, and controls and updates of financial information in appropriate detail.

Align responsibility to reporting

Clearly, a tax department needs to be able to implement the strategy the board has agreed to. The tax department has to be able to provide the board with information it needs to monitor progress, make decisions, and set targets.

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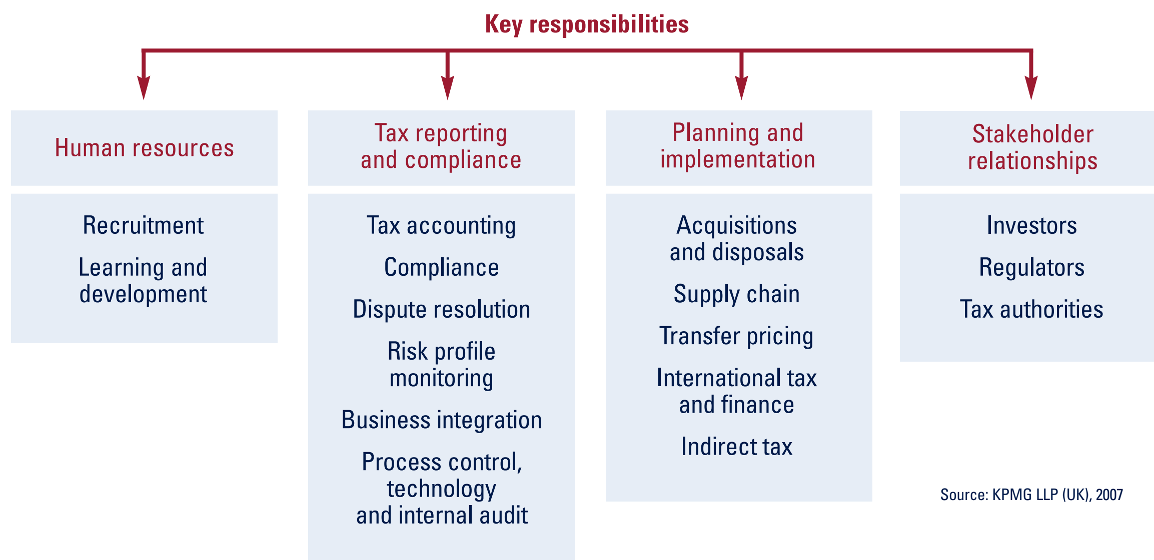
Responsibility should align to reporting. An example of how this might look in practice is shown below.



Source: KPMG LLP (UK), 2007

Although tax management involves numerous issues, it is possible to plot a sensible course between wholesale and gradual change within a coherent, high-level strategy. If companies focus, as we suggest, on what the market and other external stakeholders expect, they can achieve a great deal through a series of incremental steps, with limited disruption.

It's important for the board to remain fully informed throughout of the risks and opportunities of the various options, so that it can reach a properly informed judgment about what's appropriate for the organization.

Conclusion

Companies that are fully in control of their tax affairs, know what is possible within the organization's particular constraints, and communicate this information effectively to their stakeholders are likely to be better regarded in the market than their competitors.

Further, companies that are too cautious in their approach to tax can risk losing out to competitors who see good tax management and transparency as a way to generate value. Thus, companies have much to gain by embracing greater transparency in tax affairs and investing in the necessary management expertise to run tax matters more effectively.

Implications for the audit committee

The Audit Committee Institute believes that the audit committee has an important role in good tax management and communication. In its oversight role, the audit committee should have a good understanding and level of comfort with the company's process for identifying, managing, and reporting its tax affairs.

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Oversight of tax management and communication also rests with the audit committee.

The following are three ideas the audit committee should consider in meeting these objectives:

1. Obtain a list of the major tax uncertainties facing the business and discuss their status with management. The list should include income taxes, transfer pricing issues, sales and local tax, foreign jurisdictions, etc.
2. Discuss the company's tolerance to tax risk with management. Involve the tax department, the CFO and CEO, and others making decisions impacting the company's tax position. Evaluate whether everyone is "on the same page".
3. Review the company's public disclosure of tax and tax uncertainties, ensuring it covers all major areas in a clear, meaningful way.

* * * * * *

Confronting the 'Expectations Gap' Regarding Fraud Detection

The leaders of six of the largest global audit networks[1] jointly published their thoughts on the future of financial reporting in November 2006[2]. Amongst the many issues discussed, the paper considered the role of the auditor in detecting fraud and the expectations of stakeholders. What follows is an extract from that paper.

"Perhaps no single issue is the subject of more confusion, yet is more important, than the nature of the obligation of auditors to detect fraud or intentional material misstatement of financial information by public companies. After all, fraud was at the centre of various corporate financial reporting scandals earlier this decade. Allegations of fraud are central in the ongoing lawsuits brought by investors against individuals and companies, as well as against audit networks for alleged failures to uncover them.

It is essential that all parties engaged in business reporting – employees, management, directors, auditors and policy makers – put in place appropriate procedures and policies to prevent and detect fraud. Nonetheless, there is a significant "expectations gap" between what various stakeholders believe auditors do or should do in detecting fraud, and what audit networks are actually capable of doing, at the prices that companies or investors are willing to pay for audits.

The challenges of detecting fraud

By definition, fraud is difficult to detect by any outsider because the essence of the activity is concealment – hiding from managers, directors, and ultimately investors material information about the company and often the diversion of company funds to the perpetrators.

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1 The audit networks that participated in this report were KPMG, PWC, Deloitte, Ernst & Young, Grant Thornton, and BDO.
2 *Global Capital Markets and the Global Economy: A Vision from the CEOs of the International Audit Network*, November 2006.

The US fraud standard (SAS 99) and its international counterpart (ISA 240) contain very similar directions to auditors relating to fraud. Both require auditors to conduct their audits with a "healthy degree of skepticism". And both lay down a number of specific requirements that auditors are instructed to follow, including:

- Considering the company's internal controls and procedures, and how these are actually implemented, when planning the audit;
- Designing and conducting audit procedures to respond to the risk that management could override the internal controls and procedures;
- Identifying specific risks where fraud may occur;
- Considering whether any misstatement uncovered during the audit may be indicative of fraud;
- Obtaining written representations from management relating to fraud;
- Communicating with appropriate managers and the board if the auditor finds indications that fraud may have occurred.

Even when auditors follow all these guidelines, there are inherent limits to what any outside audit can uncover relating to fraud, especially if senior management has been involved in perpetrating it.

But there are limits to what auditors can reasonably uncover, given the limits inherent in today's audits. Specifically, unless companies or investors are willing to pay auditors to police all of a company's transactions, auditors are limited to using indirect means to ascertain whether fraud has occurred. These methods include examinations of accounts and records where the principal aim is to look for anomalies, interviews of company employees and management that are not "under oath", and reviews of the companies' "internal controls" over the spending of funds (a specific requirement in the United States under Section 404 of the Sarbanes-Oxley Act, enacted in 2002). These methods clearly are useful, indeed essential, to preventing and discovering fraud. But they are not foolproof, nor can they be expected to be.

Hence, the "expectations gap" arises because many investors, policy makers and the media believe that the auditor's main function is to detect all fraud, and thus, where it materializes and auditors have failed to find it, the auditors are often presumed to be at fault. Given the inherent limitations of any outside party to discover the presence of fraud, the restrictions governing the methods auditors are allowed to use, and the cost constraints of the audit itself, this presumption is not aligned with the current auditing standards.

What is sorely needed is a constructive dialogue among investors, other company stakeholders, policy makers and our own professionals about what should be done to close or at least narrow the "expectations gap" relating to fraud. Given the globalization of capital markets, it is vital that this

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conversation includes stakeholders in public companies and capital markets throughout the world. We are committed, also, to working with others to develop ways to prevent fraud from occurring.

These conversations must recognize, however, that our profession is committed to continuously improving our abilities and methods to detect fraud. We are doing this through the commitment of resources to support research into new methodologies and technologies that should expand our ability to uncover fraud.

At the same time, we believe it is useful to consider additional ideas for enhancing fraud detection, which we briefly outline below. There are arguments for and against each of these concepts, and thus we do not necessarily embrace anyone or all of them. But we believe that, collectively, they have sufficient merit that those options ought to be seriously debated by stakeholders and policy makers. We welcome and encourage others to offer their suggestions as well.

Subject all public companies to a forensic audit on a regular basis

The most aggressive, but costly and intrusive way of rooting out fraud is to require all public companies to undergo a forensic audit on a regular basis (perhaps every three or five years). Unlike the indirect means already described that are employed to detect fraud in a conventional audit, a forensic audit is akin to a police investigation. Forensic auditors scrutinize all records of companies, including emails, and would be able, if not required, to question all company employees and to require statements under oath. It might be necessary for an audit network or a specialized forensic auditor to complete a forensic audit with the aid of independent attorneys (not those who have represented the audit client in other engagements).

Subject all public companies to a forensic audit on a random basis

A less onerous and costly version of the forensic audit proposal would be to subject a sample of public companies on every exchange to a forensic audit on a random basis. Though such a system might uncover fewer frauds, the deterrent effect could still be the same, as all companies, and their managements, would know that they could be subject to forensic-level scrutiny at any time.

Other "choice-based" options

Whether or not policy makers choose to require or suggest forensic audits on any bases, it may be possible to close the "expectations gap" by introducing more choice regarding the intensity of audits for fraud. For example, since forensic audits are conducted primarily for the benefit of investors, one

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possibility would be to let shareholders decide on the intensity of the fraud detection effort they want auditors to perform. Shareholders could be assisted in making this decision by disclosure in the proxy materials of the costs of the different levels of audits, as well as the historical experience of the company with fraud. A different choice model would be to allow boards, or audit committees of boards as elected representatives of shareholders, to decide on the level of fraud-detection intensity.

A principal advantage of allowing investors or board or audit committee members to choose the fraud detection level is that this would move away from a "one-size-fits-all" approach to fraud detection to one tailored by investors' expectations about the company. In addition, the possibility that the relevant decision makers might at any time vote to conduct a forensic audit could act as a powerful deterrent to managers or employees from engaging in fraud."

A copy of the complete paper from which this is extracted is available at:
http://www.globalpublicpolicysymposium.com/index.html

Implications for the audit committee

Audit committees should take steps to narrow their own fraud expectations gap.

The Audit Committee Institute acknowledges that there is an expectations gap between what various stakeholders believe an auditor does or should do in detecting fraud and what an auditor actually does. This paper explores several options for future consideration by the auditing profession and policy makers.

However, individual audit committees should also seek to narrow their own fraud expectation gap by:

- Reviewing with the auditor the fraud detection procedures carried out as part of the external audit. The committee should ask the auditor to explain what the auditor views as the areas of greatest risk, outline the auditor's response to dealing with those risks and ask whether the auditor is satisfied that sufficient procedures are in place to minimize the risk of fraud.
- Reviewing with management and the auditor the company's policies and procedures to help prevent fraud and unethical activities. The committee should question whether management's policies are appropriate and effective, and whether they have been adopted by all business units.
- Reviewing all known or suspected instances of fraud, including those instances identified by the company's whistle-blowing procedures. The committee should question management and the auditor as to whether independent investigations were carried out and appropriate follow-up action taken, and whether procedures are in place to prevent or detect such instances in the future.

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Audit Committee Resources

KPMG is committed to helping audit committee members fulfill their responsibilities by communicating accounting, auditing and regulatory changes and by sharing audit committee leading practices. In each issue of *Canadian Audit Committee Update,* we feature recent publications and other valuable resources pertaining to audit committees. The following resources may be of particular interest.

New: *Shaping the Canadian Audit Committee Agenda*

A new and significantly revised edition of KPMG's *Shaping the Canadian Audit Committee Agenda* has recently been published. This publication is designed to assist audit committees in examining what they are doing and how they are doing it. In it we discuss leading audit committee practices to help audit committees identify and react to current and future economic events, as well as address accounting, auditing, and regulatory changes.

Shaping the Canadian Audit Committee Agenda covers the full range of audit committee activities involved in creating, sustaining, and running an effective audit committee. The publication identifies and describes the audit committee's responsibilities for oversight of financial reporting and disclosures, financial risks and internal control process, and the external and internal audit processes.

The publication has relevant audit committee toolkit items including, an example audit committee charter, potential audit committee topics, a planning framework for audit committee meeting agendas, evaluations of the audit committee and the external auditor, and recommendations for conducting a private session with the auditor.

For a copy of *Shaping the Canadian Audit Committee Agenda*, visit www.kpmg.ca or contact a KPMG office near you.

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Accountability e-Lert

Audit committee members, directors, officers, and others with an interest in corporate reporting are invited to subscribe to KPMG Canada's e-mail-based information service, *Accountability e-Lert*. This free service provides readers with useful information on the most important breaking developments in North American corporate reporting and governance. Each issue includes a concise KPMG analysis of current issues, plus links to relevant, current news and features selected by KPMG. Previous issues are available on the KPMG Web site. Subscribe to *Accountability e-Lert* on-line at www.kpmg.ca/accountability.

Focus on Financial Reporting

Focus on Financial Reporting is published annually by KPMG and provides an overview of recent financial reporting developments in Canada and the US. Our most recent edition (December 2006) reflects accounting pronouncements released prior to that date. For a copy of *Focus on Financial Reporting*, visit www.kpmg.ca.

Audit Committee Institute – A Resource for Audit Committee Members

Developed by KPMG, the Audit Committee Institute was created to serve and educate audit committee members. Wholly sponsored by KPMG, the Audit Committee Institute provides complimentary guidance and increases awareness for corporate audit committee members who need to keep up with their evolving responsibilities. The Audit Committee Institute Web site at www.kpmg.ca/auditcommittee provides access to Canadian content of interest to audit committees, including archived issues of *Canadian Audit Committee Update*, the Audit Committee Institute and Institute of Corporate Directors Canadian survey of audit committee member – 2005-2006, and provides access to the Audit Committee Institute Web sites in other countries around the world. For audit committees with a particular interest in US developments, visit www.kpmg.com/aci.

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Audit Committee Roundtables

The Audit Committee Institute facilitates roundtable sessions designed to provide a forum for the exchange of views and insights on topics of interest to members of audit committees. Feedback from audit committee members attending these roundtables has been consistently positive and enthusiastic.

In the spring of 2007, roundtable sessions will be held in Calgary, Montreal, Toronto and Vancouver. These roundtables explore the issues and challenges currently facing audit committee members. For more information on these roundtable sessions, please contact your local KPMG office.

Audit Committee Insights – International Edition

The international edition of the Audit Committee Institute's *Audit Committee Insights* is a complimentary biweekly e-mail alert covering issues and topics of interest to audit committee members, corporate officers, or anyone concerned with financial reporting oversight in a global context. This electronic publication incorporates relevant articles from hundreds of respected business journals, industry publications, and association Web sites. Subjects include financial reporting, surveys and trends, shareholder issues and news, commentary and perspectives, and more.

Subscribe to *Audit Committee Insights* – International Edition online at www.kpmginsights.com.

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Acronyms Defined

AASB — Auditing and Assurance Standards Board (CICA)

AcG — Accounting Guideline (CICA)

AcSB — Accounting Standards Board (CICA)

AIF — Annual Information Form

AOCI — Accumulated Other Comprehensive Income

AuG — Auditing Guideline (CICA)

CAS — Canadian Auditing Standard

CEO — Chief Executive Officer

CFO — Chief Financial Officer

CICA — Canadian Institute of Chartered Accountants

CSA — Canadian Securities Administrators

DC&P — Disclosure Controls and Procedures

ED — Exposure Draft

EIC — Emerging Issues Committee (CICA)

FASB — Financial Accounting Standards Board (US)

GAAP — Generally Accepted Accounting Principles

GAAS — Generally Accepted Auditing Standards

HB — Handbook (CICA)

IAASB — International Auditing and Assurance Standards Board

IASB — International Accounting Standards Board

ICFR — Internal Control over Financial Reporting

IFRS — International Financial Reporting Standards

ISA — International Standards on Auditing

LIFO — Last-in first-out

MD&A — Management's Discussion and Analysis

NI — National Instrument

NP — National Policy

OCI — Other Comprehensive Income

OSC — Ontario Securities Commission

SAS — Statement on Auditing Standards (US)

SEC — Securities and Exchange Commission (US)

SFAS — Statement of Financial Accounting Standards (FASB)

US — United States

VIE — Variable Interest Entity

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KPMG LLP is the Canadian member firm of KPMG, a global network of professional firms providing Audit, Tax, and Advisory services. We operate in 144 countries and have more than 104,000 professionals working in member firms around the world.

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KPMG's experience in working with audit committees has taught us that those who serve on these committees continually seek to enhance the effectiveness of their oversight role. With that in mind, we strive to make this publication user-friendly for audit committee members. We hope you find it helpful.

Recognizing the importance of audit committees, KPMG has created the Audit Committee Institute to serve and educate committee members. Historically, audit committees have been largely on their own to keep pace with rapidly changing information related to governance, audit issues, accounting, financial reporting and even legal issues. Wholly sponsored by KPMG, Audit Committee Institute provides complimentary guidance and increases awareness for corporate audit committee members who need to keep up with their evolving responsibilities. Board members can turn to the Audit Committee Institute at any time for help and advice or to share knowledge. The Audit Committee Institute Web site at www.kpmg.ca/auditcommittee provides access to Canadian content of interest to audit committees. For audit committees with a particular interest in US developments, visit www.kpmg.com/aci.

If you want to learn more, need assistance or have any questions, please contact the managing partner at a KPMG office near you.

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