

Selection and Appointment of External Auditors

Background

In accordance with Section 28 of the *Bank of Canada Act* (the Act), the Bank of Canada (the Bank) is required to have an external audit performed annually, conducted jointly by two audit firms eligible to be appointed as auditors. The Act prohibits successive term reappointments of the same audit firm.

The Bank performs a thorough evaluation of potential audit firms through a competitive process, the CFO recommends the appointment of an auditor to the Board of Directors, who recommends to the Minister of Finance for appointment by the Governor in Council. The Bank's current joint auditors are Ernst & Young (EY) and PricewaterhouseCoopers (PwC).

Context and key considerations

The external auditors provide reasonable assurance with regards to the compliance of the Bank's financial statements in accordance with applicable financial reporting framework. In addition to the Bank's financial statements, the external auditors are also responsible for providing assurance over the compliance of the financial statements for the Government of Canada's Exchange Fund Account, the Government of Canada's Debt Outstanding and the Government of Canada's Canada Mortgage Bonds in accordance with their respective policies.

The ability to provide an independent audit opinion for the period of appointment is a key requirement for an external auditor.

Other minimum requirements for selecting an external audit firm are as follows:

- Broad experience in the financial services industry
- Broad experience in the application of IFRS and Canadian Auditing Standards, and expertise in emerging financial reporting topics and resulting new standards; and
- Experience with auditing Crown corporations and public entities in Canada

Selection Process

The selection of the audit firms is performed through a competitive process in accordance with the Bank's *Procurement Policy* and the *Procurement Policy Guidelines*. These policies ensure that all firms are subject to the same procurement procedures and assessment criteria, which allows for an equitable and transparent process.

- a) The year prior to the end of one of the existing auditors' appointed terms, the competitive procurement process is launched.
- b) The evaluation process is conducted by management to ensure each applicable candidate meets the aforementioned criteria.
- c) Based on the results of the evaluation and the competitive process, a recommendation is made to the Audit and Finance Committee, followed by the Board of Directors for recommendation to the Minister of Finance and appointment by the Governor in Council.

Term

As stated in Section 28 of the *Act*, every audit firm is appointed to perform annual audits for the five fiscal years following the year of its appointment.