



Committee/Comité: Auditing and Assurance Standards Oversight Council

Meeting Date: December 18, 2008
Date de la Réunion:

Location/Lieu: Davies Ward Phillips & Vineberg, LLP

Chairman: David Brown
Président de séance:

Attendees: Jill Bodkin
Membres présents: Phil Cowperthwaite (non-voting)
Bob Hanna (non-voting)
Ken Krauss (non-voting)
Marion MacDonald
Bob Muter
Ken Vallillee
Greg Shields (non-voting)
David Wilson

Regrets/Excusés: Andrew Kriegler
Erik Peters
Ron Salole (non-voting)

Guests/Invité(e)s: Cameron McInnis Ontario Securities Commission
Eric Turner CICA
Bruce Winter AASB Vice Chair

Secretary/Secrétaire: Jan Burns

1. Chair's opening comments

The Chair welcomed everyone to the meeting and reviewed the items on the agenda going forward that would be included on a regular basis.

2. Matters to be Reported

A. Public Interest and Oversight Board (PIOB)

David Brown reported on the PIOB meeting held in Brussels just prior to the December 2008 International Auditing and Assurance Standards Board (IAASB) meeting. At this meeting, he noted that the PIOB had reviewed the due process followed for twelve International Standards on Auditing (ISAs) and, therefore, these ISAs had been finalized. Mr. Brown commented that the process used by the PIOB in reviewing the standard-setting process followed by the IAASB has been streamlined and is efficient. Mr. Brown also brought the AASOC members up-to-date on the status of the European Union adopting ISAs in Europe.

B. IAASB Update

Phil Cowperthwaite, CICA's nominee on the IAASB noted that at its December 2008 meeting, the IAASB finalized the remaining ISAs that are part of the clarity project. These remaining ISAs will be submitted to the PIOB in the first quarter of 2009 for confirmation that due process has been followed. The process of making editorial changes, focusing on ensuring consistency of wording in all of the ISAs, is scheduled for completion in February 2009.

C. Office of the Superintendent of Financial Institutions (OSFI)

Bob Hanna, the representative from OSFI, agreed to circulate the report from OSFI issued in early December and agreed that he would provide an up-date from OSFI at subsequent AASOC meetings.

3. Minutes of October 2, 2008

The minutes of the meeting held on October 2, 2008 were approved as circulated. Members were reminded that, as decided at the last meeting, rather than publish a summary of the minutes as was done in the past, the minutes of AASOC meetings will now be published on the AASOC web site in their entirety.

4. AASB Update

Ken Krauss, the AASB Chair, provided an update on the activities of the AASB since the last AASOC meeting. He stated that an AASB staff Risk Alert would be published in the very near future providing guidance on the audit implications of the current economic crisis. He also noted that a task force had been formed to develop non-authoritative guidance on the audit implications of adopting the International Financial Reporting Standards (IFRSs) in Canada.

Mr. Krauss provided an update on discussions held by the AASB with respect to concerns raised by Canadian legislative auditors regarding certain aspects of the new audit reporting model that will come into effect when ISAs are adopted as Canadian Auditing Standards (CASs). He said that the public sector members of the AASB are working with other members of the AASB and staff to develop a solution to these issues.

A lengthy discussion was held on issues regarding differences between the rules of professional conduct on independence for Canadian public accountants and the international Code of Ethics for Professional Accountants (the "IFAC Code"). The AASB is concerned that such differences significantly affect the comparability of the ISAs and the CASs. The AASOC was advised that the IFAC Code is being revised and that the Public Trust Committee of the CA Profession in Canada is starting a process to consider whether it is practicable to adopt the IFAC Code for use by CAs in Canada. It was suggested that a member of this committee be invited to attend a meeting of the AASB and/or the AASOC to provide information on this initiative and to be advised of the AASB's concerns regarding matters related to independence standards.

5. AASOC Monitoring of AASB Meetings

The AASOC members who observed the recent AASB meetings presented a verbal report of their observations saying they noted the AASB held rigorous and robust discussions during their meetings at which all of the AASB members were engaged. Written reports will be forthcoming. Mr. Krauss commented on how pleased the AASB is with the participation by AASOC members in AASB meetings.

6. AASB Standard Setting Due Process Review

The AASOC reviewed examples of documentation that the AASB proposes to present to the AASOC to provide a sound basis for the AASOC to decide whether the AASB has followed due process in adopting an ISA as a CAS. The proposed documentation package for CASs that require a Canadian modification would include:

- the CAS;
- the IAASB's Basis for Conclusions on the related ISA;
- the AASB's Basis for Conclusions on the CAS;
- an analysis of comments received in response to the exposure draft of the CAS in which a respondent requested a modification of the wording of the ISA in developing the CAS; and
- a summary of the due process followed by the AASB in developing the CAS.

The AASOC concluded that for those CASs that have been adopted without amendments from ISAs, that themselves have been redrafted in the clarity format but not revised by the IAASB, the above documentation will not be required. For this group of CASs, the documentation to be submitted to the AASOC will be a listing of these CASs accompanied by a certification from the Director, Auditing and Assurance Standards, that the AASB has followed due process in adopting the relevant ISAs as CASs. However, for CASs that have been adopted where the ISA was revised and redrafted by the IAASB, the AASOC agreed that additional information [the nature of which is yet to be determined] would be required.

7. AASB Operating Plan April 2009 – March 2010

The AASB Vice Chair presented the AASB Operating Plan for 2009-10 for information purposes commenting that this was the last year of a three-year period.

8. Nominating Committee Report

The report and recommendations of the Nominating Committee was presented on behalf of the Chair.

AASB

The AASOC unanimously approved the re-appointment of Gord Cummings (partner, D&H Group LLP, Vancouver), as a member of the AASB for a three-year term commencing April 1, 2009.

Three other appointments to the AASB for terms commencing April 1, 2009 remain to be filled.

AASOC

The AASOC unanimously approved the re-appointment of Marion MacDonald, Erik Peters and Andrew Kriegler as members of the AASOC for one-year terms commencing April 1, 2009.

The AASOC unanimously approved the appointment of Jim Sylph (presently, Executive Director, Professional Standards, IFAC) as a member of the AASOC for a three-year term commencing April 1, 2009.

C. Matters for future discussion

- Creation of a body (sub-committee) for the purpose of generating new members for the AASOC
- Appointment of a Vice Chair for AASOC
- Appointment of a CGA to the AASB

9. Ad Hoc Committee Framework and Operating Plan

Phil Cowperthwaite presented the final version of the proposed AASOC Framework and Operating Plan. This document deals with the working relationship between the AASOC and the AASB. It also sets out the AASOC's methods of operation and how these are designed to best serve the public interest. Comments were made with respect to the AASOC's activity cycle. It was agreed to include a review of the Canadian Public Accountability Board (CPAB) Public Report in May of each year (to coincide with the publication of that report by CPAB) as well as perform an effectiveness review by members in the third quarter of each year. It was also agreed that Mr. Cowperthwaite would create an executive summary of the final Framework and Operating Plan and provide it to the members for review. Once finalized, this summary will be posted to the AASOC web site with a link to the full document.

10. Monitoring of AASB Meetings

David Brown agreed to monitor the AASB conference call scheduled to be held on August 11, 2009. AASOC members still have to be assigned to monitor two 2009 AASB meetings. This matter will be addressed when new members have joined the AASOC in April.

11. AASOC Terms of Reference

The AASOC Terms of Reference have not been reviewed for some time and as the AASOC now has a newly approved Framework and Operating Plan (see item 8 above), staff was asked to draft updated Terms of Reference for the AASOC taking into account matters set out in the Framework and Operation Plan. This draft will be revised by the AASOC at its next meeting.

11. Meeting of AASOC and AcSOC (Accounting Standards Oversight Council)

The Chair stated he would contact the Chair of the AcSOC to discuss the possibility of having a joint meeting of both oversight councils in the new year.

13. International Organization of Securities Commission (IOSCO)

On behalf of the Chair of the Ontario Securities Commission (OSC), Cameron McInnis presented the highlights of a recent IOSCO round-table meeting on public-company audits. Mr. McInnis stated that IOSCO has formed a task force to review three potential discussion papers dealing with: ownership structures of audit firms; transparency of audits of public companies; and, auditor communications and whether this still meets the needs of investors. It is anticipated these reports will be available in February or March of 2009.

14. Date of next meeting

The next meeting of the AASOC will be February 25, 2009 at the offices of the Ontario Securities Commission.

David Brown, Chair

Jan Burns, Secretary