



Committee/Comité:	Auditing and Assurance Standards Oversight Council	
Meeting Date: Date de la Réunion:	February 25, 2009	
Location/Lieu:	Ontario Securities Commission	
Chairman: Président de séance:	David Brown	
Attendees: Membres présents:	Jill Bodkin Phil Cowperthwaite (non-voting) Bob Hanna (non-voting) Ken Krauss (non-voting) Andrew Kriegler Marion MacDonald Bob Muter Ken Vallillee Greg Shields (non-voting) David Wilson	
Regrets/Excusés:	Erik Peters Ron Salole (non-voting)	
Guests/Invité(e)s:	Cameron McInnis Eric Turner Bruce Winter Jim Sylph	Ontario Securities Commission CICA AASB Vice Chair IAASB
Secretary/Secrétaire:	Jan Burns	

1. Chair's opening comments

The Chair welcomed everyone to the meeting. In particular, he welcomed Jim Sylph, who will become a member of the AASOC effective April 1, 2009. Jim was invited as a guest for this meeting as he will not be able attend AASOC's June 2009 meeting.

The Chair also noted that this meeting was to be the last meeting for Jill Bodkin and Bob Muter. In appreciation of their long service to the AASOC, they have been invited to attend a dinner to be held in their honour on June 4th, the night preceding the next meeting. In view of this, both Ms. Bodkin and Mr. Muter have been invited to attend that meeting as guests.

2. Minutes of December 18, 2008

The minutes of the meeting held on December 18, 2008 were approved as circulated subject to two amendments:

- Paragraph 3: Change the date to read “Minutes of October 2, 2008”
- Paragraph 9: Change the wording to read “. . . as well as perform an effectiveness review by members in the third quarter of each year.”

3. Updates

A. Auditing and Assurance Standards Board (AASB)

Ken Krauss, the AASB Chair, provided an update on the activities of the AASB since the last AASOC meeting. The AASB has adopted thirty-five International Standards on Auditing (ISAs) as Canadian Auditing Standards (CASs) that deal with audits of financial statements and other financial information, as well as the International Standard on Quality Control 1 (ISQC1), *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements*, as Canadian Standard on Quality Control (CSQC1). The one standard still to receive final approval is CAS 210, *Agreeing the Terms of Audit Engagements*. Mr. Krauss reviewed the events leading to the AASB’s decision to re-expose this standard. Translation into French and production of the CICA Handbook – Assurance are in progress. Also, CICA has started various education and communication initiatives to assist auditors with the transition to the ISAs.

The AASOC was advised that the AASB changed the description of the effective date of the CASs to state that they will apply to audits of financial statements for periods ending on or after December 14, 2010. This change was made so that it would be clear that auditors reporting on “stub periods” in 2010 would not have to apply the CASs to these audits (since they might not have had time to properly implement the CASs). It was noted that CSQC1 must be applied effective for periods beginning on or after December 15, 2009 since required changes to a public accounting firm’s quality control processes must be in effect before the CASs are applied.

It was also noted that a task force has been formed to identify and provide non-authoritative guidance on auditing issues related to the adopting of IFRS in Canada. This task force will liaise with the Accounting Standards Board’s IFRS Advisory Committee so that knowledge can be shared and input provided where necessary.

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

Bob Hanna reported on events at OSFI. He noted that the primary focus is on macro supervision of systemic issues. Debate is still being held on how aggressive central banking authorities should be and whether or not a move should be made to full fair value accounting. In addition, more guidance is needed on how to use judgment in provisioning.

C. International Auditing and Assurance Standards Board (IAASB)

Phil Cowperthwaite, CICA’s nominee on the IAASB, reported that the agenda items for the March 2009 IAASB meeting do not deal with ISAs, since the initial clarity initiative is now complete. Matters now being considered by IAASB include, for example, project proposals for assurance engagements other than audits of financial statements.

D. Public Interest Oversight Board (PIOB)

David Brown reported that the PIOB will be having a conference call shortly to review the due process of the IAASB for the final three clarity standards. The next meeting of the PIOB meeting will be at the end of March 2009.

E. Canadian Public Accountability Board (CPAB)

Ken Vallillee reported that CPAB would very shortly be making governance changes to its by-laws that will affect the composition of its Board and outlined the proposed changes. Mr. Vallillee also reported that effective March 2, 2009, CPAB would have a new CEO.

Mr. Vallillee advised that CPAB had a webcast in January 2009 that was very well attended and has another one scheduled for mid-March, following which their public report would be available on their web site.

4. AASB Due Process Review

The AASOC continued its discussion from the December meeting with respect to material to be submitted for review by the AASOC in determining whether due process had been followed by the AASB in approving the ISAs as CASs. A lengthy discussion ensued.

The AASOC unanimously agreed that:

- a) ***For those CASs approved by the AASB prior to the new Oversight Framework in October 2008*** – The Oversight Framework will be applied on a “go-forward” basis. However, for completeness, the Director of Auditing and Assurance Standards will certify that the AASB followed due process in approving the CASs.
- b) ***For those CASs approved by the AASB after the new Oversight Framework but that do not include amendments from the related ISAs*** – The AASOC will review:
 - i) Basis for Conclusions documents prepared by the IAASB staff for the related ISAs;
 - ii) Basis for Conclusions documents prepared by the AASB staff for the CASs;
 - iii) a summary of due process followed throughout the project; and
 - iv) the Director’s certification.
- c) ***For those CASs (and CSQC) approved by the AASB that resulted in amendments to the wording of the related ISAs (and ISQC)*** – The AASOC will review:
 - i) the standard itself (CAS or CSQC);
 - ii) the IAASB’s Basis for Conclusions;
 - iii) the AASB’s Basis for Conclusions;
 - iv) the analysis of comments received from stakeholders requesting amendment to the ISA and the AASB’s response;
 - v) the summary of due process followed throughout the project to develop the CAS; and
 - vi) the Director’s certification that due process was followed in approving the CAS.

5. Role of the CICA/AASB in Developing an Assurance Standard Related to Carbon Emissions

Ken Krauss presented an update on matters regarding the IAASB's development of an International Standard for Assurance Engagements (ISAE) on carbon emissions and requested input from the AASOC on matters the AASB should consider with respect to this matter. The AASOC discussed possible alternatives in light of the various legislative projects being carried out world-wide. It was agreed to monitor the IAASB activity on carbon emissions for the next (approximately) six months and discuss this matter again at that time.

6. Nominating Committee Report

AASB

The Chair of the Nominating Committee presented the recommendations of the Committee. The AASOC unanimously approved the appointment of the following as members of the AASB for three-year terms beginning April 1, 2009:

- Madeleine Lussier, an academic, from the Department of Accounting Sciences, Université du Québec en Outaouais; and
- Martin Cloutier, a partner in the firm of Harel Drouin in Montreal.

The AASOC also conditionally approved the appointment of Cathy MacGregor, a partner in the firm of Grant Thornton LLP, in Halifax, for a three-year term effective April 1, 2009 subject to the satisfactory outcome of a discussion between members of the Committee and Ms. MacGregor. *[This discussion/meeting is scheduled to be held on March 4, 2009.]*

AASOC

The AASOC unanimously approved the appointment of the following as new members of the AASOC for three-year terms beginning April 1, 2009:

- Calvin H. Buss, a partner in the firm of Deloitte & Touche LLP; and
- William J. McFetridge, a partner in the law firm of Bull, Housser & Tupper LLP

As there is no longer a member on the AASOC from Québec, it was agreed that the Nominating Committee would endeavour to address this gap when recruiting for the AASOC as well as seek a representative from a small/mid-size firm.

7. Independence

Ken Krauss reviewed the discussion held at the recent January AASB meeting pertaining to independence that included the participation of a member of the Public Trust Committee's Task Force on Independence. The AASOC was advised that this task force is developing a draft protocol for oversight and is anticipating approaching the AASOC at its June meeting to discuss the possibility of AASOC assuming this responsibility. The AASOC members stated they would be comfortable with taking on the responsibility for oversight of independence subject to review, and agreement on, the details of how oversight responsibility would be carried out.

The AASOC expressed concern on a number of areas, in particular, the lack of transparency to date regarding discussions concerning independence matters; the differences or equivalency of the International Federation of Accountants (IFAC) Code of Ethics and the CA Rules of Professional Conduct; and, the lack of consistency in laws and regulations among the jurisdictions across Canada with respect to who is permitted to perform audits.

The IFAC has issued an Exposure Draft (ED) of the IFAC Code of Ethics and if the document is finalized by the IAASB Ethics Board in April 2009, it will be submitted to the PIOB for approval at the end of June 2009.

8. AASOC Terms of Reference

The AASOC members discussed proposed changes to its Terms of Reference and agreed to form a sub-committee comprised of three AASOC members to review and present recommendations to the AASOC at its June meeting. It was agreed that the Mission statement should be revised to reflect the new mandate to include oversight of Independence and that the Terms should reflect the new framework between the AASOC and the AASB.

9. Date of next meeting

The next meeting of the AASOC will be June 5, 2009 at the offices of the CIBC in Toronto.

David Brown, Chair

Jan Burns, Secretary