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| Committee/Comité: | Auditing and Assurance Standards Oversight Council | |
| Meeting Date: Date de la Réunion: | September 9, 2009 | |
| Location/Lieu: | OSFI offices, Toronto | |
| Chairman: Président de séance: | David Brown | |
| Attendees: Membres présents: | Cal Buss Phil Cowperthwaite (non-voting) Bob Hanna (non-voting) Ken Krauss (non-voting) Marion MacDonald Bill McFetridge Erik Peters Greg Shields (non-voting) Ron Salole (non-voting) David Wilson | |
| Regrets/Excusés: | Andrew Kriegler Brian Hunt Jim Sylph | |
| Guests/Invité(e)s: | Cameron McInnis Bruce Winter | Ontario Securities Commission AASB Vice Chair |
| Secretary/Secrétaire: | Jan Burns | |

1. Chair's opening comments

The Chair welcomed everyone to the meeting, in particular, Bill McFetridge, a new AASOC member who was attending his first meeting. On behalf of the AASOC, the Chair also expressed appreciation to Bob Hanna, who was retiring from the AASOC, for his contribution.

In addition, the Chair congratulated Ken Krauss and Phil Cowperthwaite on attaining their FCA (Fellow Chartered Accountant).

2. Minutes of June 5, 2009

The minutes of the meeting held on June 5, 2009 were approved as circulated subject to an editorial change in the last paragraph, first line, on page 5 that changes the word “certified” to “concluded.”

3. Updates

A. Auditing and Assurance Standards Board (AASB)

Ken Krauss, the AASB Chair, presented an overview of the activities of the AASB since the last AASOC meeting. He reported that the AASB has approved project proposals for three projects and has been involved, to a varying extent, in efforts to assist stakeholders with the implementation of Canadian Auditing Standards (CASs). He also reported that because the CASs will become effective for audits of financial statements for periods ending on or after December 14, 2010 they have been made available in the CICA Handbook – Assurance. The AASB also issued its Annual Report and has begun work on a consultation process with key stakeholders to solicit their input for the preparation of the AASB strategic plan for the three-year period commencing April 1, 2010.

The AASB also approved two major new projects, one to update the standards for review engagements and the other to update standards for assurance engagements. For both of these projects, the AASB will be closely monitoring similar projects being undertaken by the International Auditing and Assurance Standards Board (IAASB) since the AASB would prefer to adopt these international standards, provided they meet the needs of Canadian stakeholders. Task forces having members with appropriate expertise have been recruited to assist the AASB in developing these standards. The AASB will also be developing a Framework for Assurance Engagements.

Mr. Krauss noted that the first edition of non-authoritative guidance was issued covering assurance implications of the changeover to International Financial Reporting Standards (IFRSs). This was developed by the Task Force on Assurance Implications of Changeover to IFRSs (AICI).

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

Bob Hanna updated the AASOC on key international initiatives in accounting of interest to OSFI, the most important of which is loan provisioning for accounting. Additional initiatives are in the area of fair value, off-balance-sheet reporting and phase II under insurance in the accounting valuation models.

C. International Auditing and Assurance Standards Board (IAASB)

Phil Cowperthwaite reported on the areas where the IAASB will be concentrating their efforts for the next while. He noted that the process for developing guidance had changed somewhat in that some task forces have a new category of unofficial task force members (i.e., not formally appointed by the IAASB Steering Committee) known as “correspondent members” increasing the size of a given task force significantly.

D. Canadian Securities Administrators (CSA) and Canadian Public Accountability Board (CPAB)

David Wilson reported the following:

- The International Organization of Securities Commissions (IOSCO) has now endorsed the International Standards on Auditing (ISAs), recognizing that decisions on whether these standards will be used for audits of public companies in a particular jurisdiction will up to the securities regulator in that jurisdiction.
- The CSA has now completed this year's continuous disclosure reviews noting there was an increase of 25% in continuous disclosure reviews over last year.
- The CPAB has now approved its new governance structure and Mr. Wilson provided an overview of the changes.

E. Public Interest Oversight Board (PIOB)

David Brown reported that the PIOB has issued its fourth Public Report and is currently discussing issues similar to those of the AASOC. Now that the first complete set of clarified ISAs have been approved, monitoring will have to be done so that the effectiveness of the implementation of these standards and their impact on stakeholders can be assessed. In addition, other international boards will be doing strategic planning and preparing for the development of new standards in their respective areas. Mr. Brown also said that all groups sponsored by the International Federation of Accountants (IFAC) are currently performing a self-assessment.

F. Joint Policy Statement (JPS) between the AASB and the Canadian Bar Association (CBA)

Bruce Winter provided an update on the events related to the JPS between the AASB and the CBA since the last AASOC meeting advising that a joint task force had been formed and a meeting held by conference call. The current JPS, which has not been amended since January 1978, requires amendment as the adoption of IFRSs in Canada will result in significant changes to the accounting for, and disclosure of, contingent liabilities including those related to litigation. Mr. Winter stated that the target is to have a new JPS in place by the end of 2010 to coincide with the implementation date of the IFRSs.

4. Independence of Public Accountants

David Brown provided a brief review of events since the last AASOC meeting saying that the Oversight Over Independence Standards Protocol, a draft of which had been reviewed at the June 2009 AASOC meeting, had been revised to reflect the AASOC's comments and was presented to the AASOC for review and, if deemed appropriate, approval.

Ron Salole reviewed the revised Protocol stating that the recommendations proposed by the AASOC had been adopted by the task force and the wording in the Protocol had been amended accordingly. Some additional editorial changes were suggested by the AASOC members. Mr. Salole also reviewed the report previously distributed by the AASOC-appointed Observer at the Independence Task Force meeting held on July 10, 2009. As part of its oversight responsibility, the AASOC will appoint an Observer to attend meetings of the task force, as appropriate.

After discussion, the AASOC unanimously approved the Oversight Over Independence Standards Protocol subject to amendments as discussed at the meeting.

5. CICA Handbook – Assurance

Ken Krauss reviewed the essentials of the Preface contained in the CICA Handbook – Assurance. He stated that the Preface is not a standard and does not contain any requirements or provide guidance on the application of the standards. However, it does serve a number of important purposes in that it explains a number of matters including: the scope and authority of pronouncements; what constitutes Canadian generally accepted auditing standards (GAAS); that a CAS audit may not always be the same as an ISA audit; how the ISAs and International Standards on Quality Control have been changed on adoption in Canada; the new structure of the Handbook; and effective dates including early adoption. Mr. Krauss said that the Preface is based on the IAASB Preface but with important additions that are needed in a Canadian context. He reviewed the key features of the preface and emphasized that because most incorporating legislation in Canada makes reference to the use of Canadian GAAS, the Preface makes it clear that conducting an audit in accordance with CASs will constitute compliance with GAAS.

To help the AASOC members better understand the Preface, Greg Shields presented a comparison of the key similarities and differences between the Canadian and the international Preface.

6. The Auditor’s Report – Changes Under the CASs

Ken Krauss presented material on the changes to the auditor’s report that will result from the adoption of the ISAs under the CASs. This material outlined the purposes of the auditor’s report for both general purpose financial statements and special purpose financial statements as well as other types of reports. The material covered elements of the expectation gap (i.e., the gap between what some stakeholders expect from an audit vs. what an audit can actually deliver) as well as pointing out that under existing GAAS the auditor’s report on general purpose financial statements (either using fair presentation or compliance financial reporting framework) consists of three paragraphs while under the CASs, the independent auditor’s report will have six paragraphs.

The AASOC members raised a number of points during this presentation and raised questions on matters such as the use of the words “present fairly” in auditor’s reports on audits of single financial statements or elements of financial statements.

7. AASOC Public Report

The AASOC members reviewed a draft Public Report and provided commentary. The AASOC approved the Public Report as circulated subject to the inclusion of a statement pertaining to the review of the AASOC Terms of Reference to ensure consistency with the revised Framework.

8. Observers at AASB meetings

The AASOC members were asked to review the 2010 meeting schedule for AASB meetings and advise the Chair as to their availability to act as an Observer at any of these meetings.

9. In-camera session and termination

The AASOC members held an in-camera session after which the meeting terminated.

10. Date of next meeting

The next meeting of the AASOC will be on December 17, 2009 and will be held at the offices of Davies Ward Phillips & Vineberg LLP.

David Brown, Chair

Jan Burns, Secretary