



Committee/Comité:	Auditing and Assurance Standards Oversight Council	
Meeting Date: Date de la Réunion:	December 17, 2009	
Location/Lieu:	Davies Ward Phillips & Vineberg, LLP, Toronto	
Chairman: Président de séance:	David Brown	
Attendees: Membres présents:	Cal Buss Phil Cowperthwaite (non-voting) Brian Hunt Ken Krauss (non-voting) Andrew Kriegler Marion MacDonald Bill McFetridge Greg Shields (non-voting) Ron Salole (non-voting) Jim Sylph Mark White (non-voting) David Wilson	
Regrets/Excusés:	Erik Peters	
Guests/Invité(e)s:	Bruce Winter Cameron McInnis Gary Hannaford Suzanne Mondoux	AASB Vice Chair Ontario Securities Commission CEO Manitoba Institute of Chartered Accountants Director, CICA Language Services Department
Secretary/Secrétaire:	Jan Burns	

1. Chair's opening comments

The Chair welcomed everyone to the meeting. Mr. Brown also introduced Mark White, the newly-appointed member from the Office of the Superintendent of Financial Institutions (OSFI), and Suzanne Mondoux, the Director, CICA Language Services, who attended to review the CICA translation process.

2. Minutes of September 9, 2009

The minutes of the meeting held on September 9, 2009 were approved, as circulated, subject to deleting Mr. Hunt as having attended and an editorial change in the last paragraph of section 6 to delete the word "excellent."

3. CICA Translation Process

Suzanne Mondoux reported on the process used by the CICA to ensure that English-language standards are properly translated into French. She noted that in Canada, both the French and English versions of the standards are official versions having equal weight. For the international standards, the sole authoritative text is that published by the International Auditing and Assurance Standards Board (IAASB) in English. The International Federation of Accountants (IFAC) has rigorous translation criteria set out in its policy statement “Translation of Standards and Guidance Issued by the International Federation of Accountants.” The CICA’s Language Services Department complies with those criteria.

It was unanimously agreed that when providing the AASOC with a certification that due process was followed in developing a standard, the Director, Auditing and Assurance Standards, should include an assertion that CICA’s Language Services Department, has followed its normal translation process. The Director may make this assertion except when he or she has been advised by the Director, CICA Language Services, that there has been a departure from the normal translation process.

Ms. Mondoux also presented a proposed name change for the AASOC in French to better correspond with the defined key terms used in the translation of ISAs. After discussion, the AASOC unanimously agreed that the name of the Auditing and Assurance Standards Oversight Council in French would be changed to “Conseil de surveillance de la normalisation en audit et certification” or “(CSNAC)”.

[Ms. Mondoux left the meeting]

4. Updates

A. Auditing and Assurance Standards Board (AASB)

Ken Krauss, the AASB Chair, presented an overview of the activities of the AASB regarding its monitoring of international projects and development of domestic projects. Matters relating to the AASB’s strategic planning were excluded from this session as they were covered separately (see agenda item 7).

Monitoring of International Projects

The IAASB is conducting projects on review engagements and compilation engagements in parallel. Currently, the AASB is undertaking its own project to revise and clarify standards for review engagements, with the intention, if appropriate, to adopt the revised international review engagement standards. Extensive consultations were conducted across Canada in September and October 2009 to obtain input from practitioners and users of reviewed financial statements (such as bankers). While the AASB has not yet decided whether to revise the Canadian standards on compilation engagements, it is closely monitoring the international project.

Domestic projects

Mr. Krauss noted the following key domestic project activities:

- approval of Section 7500, *Auditor's Consent to the Use of the Auditor's Report in Connection with Designated Documents*
- development of an Assurance Guideline, *Dating of Review Engagement Report*; and,
- approval of a project proposal to develop a new Canadian Standard on Assurance Engagements (CSAE) to replace Section 5970, *Auditor's Report on Controls at a Service Organization*, and Assurance and Related Services Guideline AuG-42, *Service Organizations that Use Other Service Organizations*. In developing this standard, the AASB will adopt, with appropriate amendments, the new attestation standard being developed by the American Institute of Certified Public Accountants' Auditing Standards Board, which is expected to be approved in January 2010. This US standard has been adopted from the international standard (ISAE 3402, *Reporting on Controls at a Service Organization*) with only minimal changes. This approach is being taken as a result of consultation with stakeholders regarding the needs of those who commonly provide and use this service.

Other Activities

The AASB has been actively communicating with stakeholders. The AASB Chair and staff conducted a webinar on implementing Canadian Auditing Standards (CASs). The Chair also made a presentation at a CICA Audit Committee Conference on the new CASs. In addition, the AASB is forming a task force to deal with complex audit reporting issues that relate to the adoption of International Financial Reporting Standards (IFRSs) and the International Standards on Auditing (ISAs).

B. Joint Policy Statement (JPS) with Canadian Bar Association (CBA)

Bruce Winter, the AASB Vice Chair, reported that the AASB has commenced a project to revise the JPS with the CBA. Mr. Winter and Bill McFetridge, the AASOC Observer on the task force, reviewed the major challenges in revising this document. It was noted that Canada is one of the few countries in the world with a communications protocol between the auditing and legal professions.

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

Mark White updated the AASOC on key areas of interest to the OSFI, in particular:

- the work of the OSFI in conjunction with the Basel Committee's audit subgroup, dealing with the IAASB's International Auditing Practice Standard (IAPS) 1012, on auditing complex financial instruments and concerns relating to the narrow scope of the proposal and certain other technical matters;
- the work of the OSFI and this Basel Committee subgroup on the IAASB's internal and external audit proposals (ISA 610, *Using the Work of Internal Auditors*) and concerns related to undue reliance on internal audit and maintaining the important separate roles of internal and external auditors;
- the work and timelines of the AASB task force, on which the OSFI is an Observer, on the guidance on the audit of policy liabilities of insurance enterprises (AuG-43) and the audit of employee future benefits (AuG-29) and the OSFI concerns with the form and authoritativeness of the updated guidance, which will be issued; and

- the OSFI draft advisory on the implementation by federally-regulated financial institutions of IFRS, that is out for comment until December 31 and that OSFI hopes will be issued in final early in the new year.

D. International Auditing and Assurance Standards Board (IAASB)

Phil Cowperthwaite reported on some of the key matters discussed at the IAASB meeting held in early December 2009 as follows:

- initial discussions of the IAASB's strategic plan for 2012-14 will take place at its meeting in March 2010;
- the level of authority of the International Auditing Practice Statements (IAPs) needs to be more clearly described;
- consideration needs to be given to issuing a new IAPS on auditing of complex financial instruments, likely based on guidance published by the UK Auditing Practices Board; and
- some jurisdictions that have adopted, or intend to adopt, the ISAs are expressing difficulty with adopting, without modification, ISA 700, *Forming an Opinion and Reporting on Financial Statements*, for a number of different reasons, in particular, the need to comply with local laws and regulations regarding such reporting.

E. Public Interest Oversight Board (PIOB)

David Brown reported on the PIOB meeting held in early December 2009, including its discussion of independence standards and other issues. He described IFAC's Compliance program which is overseen by a Compliance Advisory Panel. This program is designed to ensure that all member bodies of IFAC are taking the necessary steps to implement and adopt IFAC standards in their jurisdiction, keeping in mind that in some areas of the world member bodies do not have control over standard setting. The first stage of the compliance program (now complete), required that each member body do a self-assessment. The second stage requires all member bodies to prepare an action plan on how it will implement the IFRSs. To date seventy action plans have been approved and an additional forty-seven are in progress.

F. Accounting Standards Oversight Council (AcSOC)

David Brown reported that he had recently attended an AcSOC meeting and concluded that although the AcSOC and the AASOC were formed at almost the same time and have the same roots, each body had evolved quite differently. For example, because financial reporting standards are of direct interest to a broad range of stakeholders, the AcSOC is proactive in identifying directions and making suggestions to the Chair of the Accounting Standards Board with respect to various matters. Mr. Brown has invited the Chair of the AcSOC to attend a future AASOC meeting.

G. Certified General Accountants Association of Canada (CGA Canada)

David Brown reported on a recent meeting he had with CGA Canada. The main purpose of the meeting was to share with them the developments with respect to independence standards for public accountants and the AASOC's role in providing oversight to the CA Public Trust Committee's Task Force on Independence.

H. Canadian Securities Administrators (CSA)

David Wilson reported that the Ontario Securities Commission (OSC) compliance team recently made available its annual report discussing deficiencies in financial statements and other topics of interest. Also, all of the CSA rules that reflect the adoption of the IFRSs and the new CASs have now been published for comment with a comment period ending on December 24, 2009. In addition, he noted that the International Organizations of Securities Commissions (IOSCO) will be monitoring how the ISAs are being applied.

I. Canadian Public Accountability Board (CPAB)

Brian Hunt reported that the European Union (EU) has voted to accept Canada for reciprocity with respect to firms having to register in that country. CPAB is also pursuing reciprocity with Japan. He noted that CPAB is starting work on its next Public Report that should be available in February 2010. A new CPAB strategic plan is also being developed and should be made public in the next few weeks.

5. AASOC Review of AASB Due Process

In the fall of 2009, the AASOC was asked to review and, if appropriate, confirm that due process had been followed by the AASB in developing Section 7500, *Auditor's Consent to the Use of the Auditor's Report in Connection with Designated Documents*. Because the need to finalize Section 7500 was urgent, the AASB took the unusual step of asking the AASOC to deal with this matter outside of a scheduled AASOC meeting. The AASOC members were provided with all the materials required under its operating protocol and asked to deal with the matter via e-mail.

The purpose of this session was to determine whether the process followed with respect to Section 7500 should be applied in exceptional circumstances in the future. The AASB Chair stated that the AASB will endeavour to proceed according to the normal protocol but rare circumstances such as that related to Section 7500 may occur. The AASOC was, therefore, asked to consider whether the process applied regarding Section 7500 would be appropriate should that be necessary at a future date.

The AASOC discussed this matter and concluded that the process followed with respect to Section 7500 is appropriate for dealing with exceptional circumstances and does not conflict with the principles in the AASOC Framework. Therefore, no change is needed to the Framework to deal with this matter.

6. Nominating Committee Report

Andrew Kriegler reported on the activity of the AASOC Nominating Committee.

AASB Members

The Nominating Committee is currently seeking new AASB members to replace the following members from:

- industry
- the legislative auditor community

- two of the “big four” accounting firms: Deloitte, Ernst & Young

The Nominating Committee will present recommendations at the next AASOC meeting, in February 2010.

[Bruce Winter left the meeting]

The AASOC then discussed the appointment of the current AASB Vice Chair to the position of Chair upon the retirement of Ken Krauss on March 31, 2010.

IT WAS MOVED, seconded and unanimously approved that Bruce Winter be appointed as AASB Chair for a two-year term effective April 1, 2010.

[Bruce Winter re-entered the meeting]

AASOC Members

Two members of the AASOC will be retiring on March 31, 2010. It was recognized that each member of the AASOC acts as an individual; however, to increase the strength and diversity of the Council, the AASOC discussed the possibility of appointing someone from another professional association (for example, a CGA or a Certified Management Accountant (CMA)). It was noted that ideally such a new member would be from a small firm that conducts audits of small to medium-size entities (SMEs) that are not public companies.

A course of action was agreed upon by the AASOC members vis-a-vis making contact with colleagues and approaching other professional associations to identify appropriate individuals to be interviewed by the Nominating Committee members, taking into consideration demographics to ensure the appropriate representation on the AASOC.

7. AASB Strategic Plan

Bruce Winter provided a status report on the AASB strategic plan. He reviewed the consultation process done in September and October 2009. He noted that this was not the end of the process as, once prepared, a draft strategic plan will be published for comment. He expressed the appreciation of the AASB to the constructive input that was received from stakeholders, saying one of the main points expressed by those consulted was that stakeholders understand there is a high-quality standard-setting process in Canada and felt there was still a need for the AASB.

Mr. Winter also reviewed some major themes that resulted from the consultations. The AASB will consider whether the currently planned format and timing of its strategic plan is appropriately aligned with that of the IAASB strategic plan.

[Gary Hannaford joined the meeting via conference call]

8. Independence

Gary Hannaford, Chair of the Council of Senior Executives Public Trust Committee and a member of its Task Force on Independence, attended the meeting via conference call to update the AASOC on Task Force activity since June. He advised that on the recommendation of the AASOC, the Task Force membership had been increased; however, he asked the AASOC for assistance in identifying a public representative. It was also suggested that the Task Force consider the involvement of someone from another professional organization as an observer and this will be investigated.

Various views were expressed with respect to adopting the IFAC Code of Ethics and whether or not this would be lowering the Canadian standard in that it would no longer be viewed as rigorous as the current one. Mr. Hannaford advised that the next step for the Task Force is to develop a consultation paper. This paper would outline the Canadian requirements, the IFAC requirements and address the threshold issue. He presented the three possibilities the Task Force has before them stating that regulators, in particular, will need to be consulted as part of this process. Only after feedback has been received on this consultation paper will an exposure draft be prepared. It was recommended that the consultation paper be widely publicized to ensure stakeholders are more aware and have an opportunity to comment. Mr. Hannaford then reviewed the proposed timelines for the process.

9. AASOC self-assessment

This matter was not discussed and was deferred to another date.

10. In-camera session and termination

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

11. Date of next meeting

The next meeting of the AASOC will be February 12, 2010 and will be held at the offices of the CIBC in Toronto.

David Brown, Chair

Jan Burns, Secretary