



# Minutes Procès-verbal

Committee/Comité:	Auditing and Assurance Standards Oversight Council
Meeting Date: Date de la Réunion:	October 28, 2011
Location/Lieu:	Park Hyatt, Toronto
Chairman: Président de séance:	Bill McFetridge
Attendees: Membres présents:	Jean Bédard Cal Buss Michael Hafeman Brian Hunt Cameron McInnis Susan McIsaac Stan Pasternak David Rattray Ron Salole (non-voting) Greg Shields (non-voting) Karen Stothers (non-voting) Mike Volker Bruce Winter (non-voting)
Regrets/Excusés	Phil Cowperthwaite (non-voting) Andrew Kriegler Jim Sylph
Guests/Invité(e)s:	Mark Davies, AASB Vice Chair Andrew Macartney, AASB member and member of Securities Regulation Advisory Group (in part) Jim Saloman, Chair, Securities Regulation Advisory Group (in part)
Secretary/Secrétaire:	Jacqui Kuypers

## 1. Chair's opening comments

Bill McFetridge welcomed everyone to the meeting and invited members to provide their thoughts on the joint meeting held the previous afternoon with the Accounting Standards Oversight Council (AcSOC). Members noted that it was interesting to see the differences between AcSOC and AASOC. In particular, they expressed interest in AcSOC's performance review of the Accounting Standards Board and AcSOC. Mr. McFetridge asked if any AASOC members would be willing to assess AcSOC's performance review process and recommend whether it should be adopted by AASOC. Stan Pasternak and Susan McIsaac volunteered to undertake this.

One member noted that the AcSOC public report contains very different content than that of AASOC. He suggested that there may be merit in reviewing the AcSOC public report and mirroring some of its content in the next AASOC public report.

Overall, members agreed that it would be useful to annually have a joint meeting with AcSOC.

## 2. Minutes

The minutes of the meeting held on July 7, 2011 were approved as circulated.

## 3. Updates

### A. Auditing and Assurance Standards Board (AASB)

Bruce Winter presented an overview of the activities of the AASB since the last AASOC meeting noting matters that included those set out below.

#### *Offsite meeting*

Mr. Winter reported that the AASB's September 2011 meeting was held in Calgary, Alberta. An outreach session was held, which was attended by approximately 30 practitioners. Mr. Winter stated that the AASB received very good feedback on the session from the Institute of Chartered Accountants of Alberta.

#### *Emerging issue*

Mr. Winter reported that the AASB is in the process of drafting a Message from the AASB Chair addressing matters related to auditing companies with operations in an emerging market country. The AASB staff is drafting the Message based on consultations with Canadian Public Accountability Board (CPAB), and firms. The Ontario Securities Commission (OSC) may also provide input. Mr. Winter stated that he expects the Message to be issued before the end of the year.

#### *Compilation engagements*

Mr. Winter reported that the AASB approved a project to revise Canadian standards on compilation engagements. He noted that the project will be undertaken in two stages, the first of which involves research and further consultation with stakeholders.

#### *International Auditing Practice Statements (IAPs)*

Mr. Winter reported that the International Auditing and Assurance Standards Board (IAASB), at its meeting in September 2011, decided to withdraw all IAPs. The IAASB also decided not to issue any new IAPs in the future. As a result, all IAASB authoritative guidance will be included in the International Standards on Auditing themselves. The IAASB will issue non-authoritative International Auditing Practice Notes (IAPNs), the first of which will be IAPN 1000, dealing with auditing financial instruments.

Mr. Winter reported that the AASB has made the decision to retain Canadian Assurance and Related Services Guidelines as authoritative guidance, but that the status and authority and the practitioner's obligations with regard to Guidelines will be clarified in an exposure draft that the AASB expects to approve before the end of the year. The AASB will also issue an exposure draft proposing to withdraw three Guidelines that are based on IAPs that the IAASB has withdrawn. The Guidelines deal with e-commerce, financial instruments and environmental matters

#### *Other items of note*

Mr. Winter reported that the AASB responded to the following:

- the IAASB Exposure Draft on ISAE 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*;
- the IAASB Consultation Paper, "Enhancing the Value of Auditor Reporting: Exploring Options for Change"; and
- the Public Company Accounting Oversight Board's concept release on Auditor's Reporting Model.

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

Karen Stothers reported the following:

- OSFI recently reported to the G20 finance ministers and will be reporting at the G20 leader's meeting in early November 2011 on Basel Capital and regulations for banks.
- OSFI is continuing to roll out Basel III for banks. OSFI recently released a notice outlining its expectations in respect of the issuance of non-viability contingent capital.
- Regarding insurance companies, OSFI is continuing to work on new capital rules that are much more risk sensitive.
- Through Basel, OSFI is drafting comment letters on new liability accounting for loan losses and insurance.
- OSFI is undertaking a project to consider whether additional meaningful disclosures are needed to identify whether an institution is well capitalized.

### **C. Canadian Public Accountability Board (CPAB)**

Brian Hunt reported the following:

- CPAB is completing a risk analysis on 22 reporting issuers from China. CPAB is working with the OSC and securities regulators on this project, which involves considering the application of Canadian Auditing Standard 600, *Special Considerations — Audits of Group Financial Statements (Including the Work of Component Auditors)*. This risk analysis is being undertaken by industry and country, with input from experts in various countries.
- CPAB is holding ongoing discussions with regulators around the world regarding the debt crisis.
- CPAB is in the process of completing inspections of the “Big 4” firms and related reports will be finalized shortly. CPAB has commenced a review of regional firms, which will be completed early in the new year.

#### **D. Public Interest Oversight Board (PIOB)**

Michael Hafeman reported the following:

- PIOB is working on drafting a consultation paper addressing issues including:
  - alternative oversight models;
  - communications by the PIOB;
  - the respective responsibilities of the PIOB and the Monitoring Group and how these responsibilities relate to the standard-setting boards; and
  - possible oversight of the International Public Sector Accounting Standards Board.

#### **E. Canadian Securities Administrators (CSA) and Ontario Securities Commission**

Cameron McInnis noted the following matters:

- CSA is undertaking a review of issues related to emerging markets, including the role of issuers, underwriters and auditors.
- The International Organization of Securities Commissions (IOSCO) is drafting a response to the IAASB Consultation Paper on auditor reporting. A key point being raised in the response is IOSCO’s belief that information about the entity should come from the entity, not the auditor.
- IOSCO issued a similar consultation paper in 2009. Mr. McInnis noted that he will provide a copy of this paper to AASOC for its next meeting.

### **4. Nominating Committee**

Bill McFetridge noted that Stan Pasternak was appointed by the Nominating Committee to take over as its Chair when Andrew Kriegler’s term on AASOC ends.

Mr. Pasternak reported on Nominating Committee activities since the last AASOC meeting. The Nominating Committee has discussed the composition of the AASB and AASOC, identified members who will be retiring by the end of March 2012 and what types of backgrounds new members should have.

AASOC unanimously approved the reappointment of Mr. Sylph and Mr. Buss, each for a three-year term from April 1, 2012 to March 31, 2015.

AASOC also approved the appointment of Phil Cowperthwaite and Shannon Gangl as voting members for three-year terms from April 1, 2012 to March 31, 2015.

Mr. Pasternak reported that Bruce Winter's term as Chair of the AASB ends on March 31, 2012. AASOC approved the appointment of the current Vice-Chair, Mark Davies, as Chair and the AASB member Cathy MacGregor as Vice-Chair of the AASB for two-year terms from April 1, 2012 to March 31, 2014.

Bruce Winter reported that he will be PwC's nominee on the IAASB effective January 1, 2012 for a three-year term. He will attend AASOC meetings as a non-voting member.

## 5. AASB Matters

*[Andrew Macartney and Jim Saloman joined the meeting]*

### A. Section 7500

Andrew Macartney, AASB member and member of the Securities Regulation Advisory Group, provided an overview of Section 7500, *Auditor's Consent to the Use of the Auditor's Report in Connection with Designated Documents*. Mr. Macartney noted that Section 7500 was redrafted in 2009 to eliminate conflicts between that Section and Canadian Auditing Standard (CAS) 720, *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*. He also noted that when Section 7500 was redrafted in 2009, respondents to the Exposure Draft raised some public interest issues. The AASB stated in its Basis for Conclusions that, as part of its project to update the Sections in the 7000 series, the AASB would address these public interest issues.

Mr. Macartney reported that the first phase of revisions to Section 7500 would be initiated when the IAASB issues its exposure draft of ISA 720 (Revised) and would include consideration of:

- potential conflicts between Section 7500 and revised ISA/CAS 720; and
- public interest issues raised when Section 7500 was redrafted in 2009.

Phase 2 of the revision of Section 7500 is expected to start in 2014 and includes consideration of:

- consistency in concepts between Section 7500 and other standards; and
- overall clarity of the 7000 series (i.e., whether to combine the revised material in Section 7110, *Auditor Involvement with Offering Documents of Public and Private Entities*, and Section 7500 to develop a single standard dealing with the auditor's responsibilities when the auditor provides consent).

### B. 7000 Series of Sections in the CICA Handbook – Assurance

AASOC considered the AASB's decisions relating to revisions made to:

- Section 7110, *Auditor Involvement with Offering Documents of Public and Private Entities*, Section 7115, *Auditor Involvement with Offering Documents of Public and Private Entities – Current Legislative and Regulatory Requirements*, and AuG-30, *The Auditor’s Consent and Comfort in connection with Securities Offering Documents*; and
- Section 7200, *Auditor Assistance to Underwriters and Others*;
- conforming amendment to Section 7110.

AASOC unanimously agreed with the AASB’s decisions and confirmed that the AASB had followed due process regarding these matters.

*[Andrew Macartney and Jim Saloman left the meeting]*

### **C. AASB Terms of Reference**

AASOC reviewed the draft revised AASB Terms of Reference. Mr. Winter reported that as a result of discussion at the previous AASOC meeting, changes are proposed including:

- clarifying that the AASB’s responsibilities with respect to monitoring the IAASB are also to proactively present Canadian viewpoints and promote the adoption of the IAASB standards;
- stating that a responsibility of the AASB is to monitor the activities of other standard setters and securities regulators and to respond to matters that may affect the ability of the profession to serve the Canadian public interest; and
- emphasizing that the AASB is accountable for developing standards and guidance that promotes confidence in auditing, other assurance and related services, and the credibility of the due process.

AASOC unanimously approved the revised AASB Terms of Reference.

### **D. AASB Operating Plan Overview**

Mark Davies presented an overview of the AASB Operating Plan related to the development of standards. Mr. Davies noted that the plan allows for some flexibility to address unexpected issues on short notice.

## **6. AASOC Public Report**

AASOC reviewed and approved a draft public report for the period ending August 31, 2011, with minor edits.

## **7. Administrative matters**

Bill McFetridge asked the AASOC secretary to circulate a list of meeting dates for 2012 and 2013. He also asked that AASOC members interested in being an observer at the AASB meetings contact the AASOC secretary. Mr. McFetridge noted that, given the recent success of the AASB in its meeting outside Toronto, he is very interested in holding a future AASOC meeting outside Toronto.

**8. In Camera Session and Termination**

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

**9. Date of next meeting**

The next meeting of AASOC will be December 16, 2011. It will be held at the offices of the OSC, Toronto.

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Bill McFetridge, Chair

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Jacqui Kuypers, Secretary