



2016-2021

# STRATEGIC PLAN

(Effective April 1, 2016)

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The AASB is an independent body with the authority to establish auditing and assurance standards for use by all Canadian entities in both the public and private sectors.

The AASB's 2016-2021 Strategic Plan sets out the broad strategic objectives that will guide us in achieving our public interest mandate. We decided on these objectives after extensive stakeholder consultation.

Implementation plans to execute these strategies will be described in our annual plans.

Auditing and Assurance  
Standards Oversight Council



Conseil de surveillance  
de la normalisation  
en audit et certification



The Auditing and Assurance Standards Oversight Council (AASOC) oversees the activities of the AASB, and assesses and reports to the public on its performance.

The structures and processes that support the operations of the AASB are funded by the Chartered Professional Accountants of Canada (CPA Canada).

# MESSAGE FROM THE CHAIR .....

It is my pleasure to present the Auditing and Assurance Standards Board's (AASB) Strategic Plan for 2016-2021. In preparing this plan, we reviewed the results to date of our previous Strategic Plan, which ended on March 31, 2016. The key goal of that plan was to continue to develop a new structure to the CPA Canada Handbook – Assurance, and to clarify and promote consistent application of our standards. This was a multi-year project that is close to completion. We believe it is now appropriate to set our future direction beyond this project.

We recognize that we play an important role in contributing to improving audit quality. Under this plan, we will continue to focus on ensuring that high-quality standards and implementation material meet the needs of Canadian stakeholders while maintaining Canada's standard-setting capability. In addition, recognizing the evolving and diverse needs of stakeholders, we will focus on increasing stakeholder engagement.

This Strategic Plan is ambitious. To be achieved, it will require the support of stakeholders with increased engagement in the standard-setting process. We believe that our plan responds to the needs of the current environment, is appropriately focused on being proactive and relevant as the environment evolves and will provide clear direction as we move forward in the medium to long term.

As we work on projects designed to achieve our goals as set out in this Strategic Plan, we encourage all of our stakeholders to share their views and insights on our current and planned activities. Implementation plans to execute our strategies will be described in our annual operating plans.

Darrell Jensen, CPA, CA  
Chair



# EXECUTIVE SUMMARY

## Our mission and vision

**Mission:** The AASB serves the public interest by setting standards and guidance and assisting in their implementation to enable the provision of high-quality, value-added and relevant auditing, other assurance and related services in Canada.

**Vision:** Through its globally respected standard-setting capability and an engaged stakeholder community, the AASB’s standards and guidance respond to the needs of Canadian stakeholders and contribute to enhanced quality and consistency of practice, which results in a high degree of public confidence in auditing, other assurance and related services.



OBJECTIVE	STRATEGIES	PLANNED ACTIONS
<p>Maintain a globally respected Canadian standard-setting capability that identifies and responds to the needs of Canadian stakeholders for standards and guidance that serve the public interest.</p>	<p>Identify and implement improvements to our due process, composition and other activities so that we continue to exhibit the characteristics of an effective and efficient standard setter.</p>	<ul style="list-style-type: none"> <li>• Review due process to improve our efficiency and progress on projects.</li> <li>• Identify specific competencies required of our members considering expected projects to be undertaken in the near- and mid-term.</li> <li>• Develop a process for completing a post-implementation review of standards.</li> </ul>



## OBJECTIVE

Achieve a high level of engagement with stakeholders to support the development of standards and guidance.

Set, and assist with the successful implementation of, standards and guidance that form the basis for high-quality, value-added and relevant audits, other assurance and related services that meet the needs of Canadian stakeholders.

## STRATEGIES

Place increased emphasis on effectively interacting and engaging with all stakeholders to improve the identification of priorities and the development of standards and guidance.

Set high-quality standards for audits of financial information that are appropriate for use in Canada.

## PLANNED ACTIONS

- Review and assess ways we currently engage different stakeholder groups.
- Develop and implement an approach to better interact with stakeholders.
- Establish a social media presence.
- Continue to adopt ISAs as CASs.
- Identify opportunities to obtain Canadian input at earlier stages in a project.
- Reassess our criteria for amending the ISAs when adopting them as CASs.
- Identify and respond to scalability issues.



## OBJECTIVE

Set, and assist with the successful implementation of, standards and guidance that form the basis for high-quality, value-added and relevant audits, other assurance and related services that meet the needs of Canadian stakeholders.  
*(cont.)*

## STRATEGIES

Set high-quality standards for engagements other than audits of historical financial information that respond to the needs of Canadian stakeholders.

Implement a process to identify challenges faced by practitioners in implementing standards and work with appropriate parties to address these challenges.

## PLANNED ACTIONS

- Develop a process to better identify current and future needs and obtain input from stakeholders.
- Conduct a post-implementation review of recently issued standards.
- Identify ways to make the best use of existing material of other national standard setters.
- Develop process to identify implementation needs at an earlier stage.
- Consider results of post-implementation review of standards.
- During consultations, seek input on implementation challenges.
- Identify implementation material of other national standard setters that may be adapted for use in Canada.



# INTRODUCTION .....

This Strategic Plan covers the period from April 1, 2016 to March 31, 2021. The plan sets the direction and priorities for the **Auditing and Assurance Standards Board’s (AASB)** activities. Our efforts are focused on the development, adoption and implementation of standards and guidance addressing:

- audit;
- quality control;
- review;
- other assurance; and
- related services engagements.

Our work program is influenced by the work program of the International Auditing and Assurance Standards Board (IAASB) as we have committed to adopt International Standards on Auditing (ISAs) as they are developed by the IAASB.





# BACKGROUND .....

*“Now we are looking forward to the next significant change in light of today’s rapidly changing environment.”*

In 2006, after extensive consultation, we made a fundamental shift in direction when we decided to adopt the ISAs as Canadian Auditing Standards (CASs). Prior to that time, Canadian auditing standards were developed based on the goal of both harmonizing with ISAs and eliminating significant differences between Canadian standards and those of the U.S. We were confident that the new approach would ensure that Canada would continue to play a leading role in developing high-quality auditing standards that meet the needs of Canadian stakeholders. We further believed that stakeholders would continue to have confidence in our standard-setting process.

The project to adopt all ISAs and International Standards on Quality Control was completed in 2009. In 2010, we set a new goal to improve the structure and clarity of terminology of the CPA Canada Handbook – Assurance to promote consistency in the application of all standards. This work is substantially completed. Now we are looking forward to the next significant change in light of today’s rapidly changing environment.

The effects of the 2008 global financial crisis continue to be felt in the world economy. One of the effects of the crisis was that regulators and policy makers in various jurisdictions questioned the value and relevance of financial reporting and the external audit itself. In response, a number of initiatives were undertaken, including the acceleration of major projects on auditor reporting, audit quality, auditor independence and auditor transparency. The profession and standard setters globally continue to engage stakeholders in a robust dialogue to address the importance and relevance of the external audit, and to ensure the continued improvement of audit quality.

In September 2014, the IAASB approved its strategy for 2015-2019 and its work plan for 2015-2016. The nature and extent of international activities, which have a significant effect on our strategic planning and operations, are set out in the [IAASB's Work Plan](#).

Internationally and domestically there will be a continuing focus on auditor reporting and audit quality in the near-term. In addition, evolving accounting standards, including the continued development of changes involving fair value accounting, will have implications for auditing, other assurance and related services standards in the coming years. As well, over the past several years, there have been increasing demands for continuous information in both the private and public sectors. Such demands could have a significant effect on the development and application of standards. Some groups have begun to consider the topic of corporate governance reporting. While not required in Canada, the number of jurisdictions that require such reporting is increasing. Currently, there is no clear Canadian market demand for assurance on corporate governance reporting; however, this may change as such reporting becomes more common. Further, as technology changes, the way that audits are done and, therefore, what standards say and how they are applied, may also need to change. For example, cybersecurity is an increasing area of concern for companies. A company's management, board, regulators, investors and customers may begin to ask for assurance on the entity's cybersecurity programs. Another key emerging area in technology is the use of audit data analytics in conducting audits. The IAASB is exploring emerging developments in audit data analytics and how and when it can respond most effectively via International Standards or non-authoritative guidance. We are monitoring the work of CPA Canada's Audit Data Analytics Committee and will obtain the views of Canadian stakeholders on this important and relevant initiative.

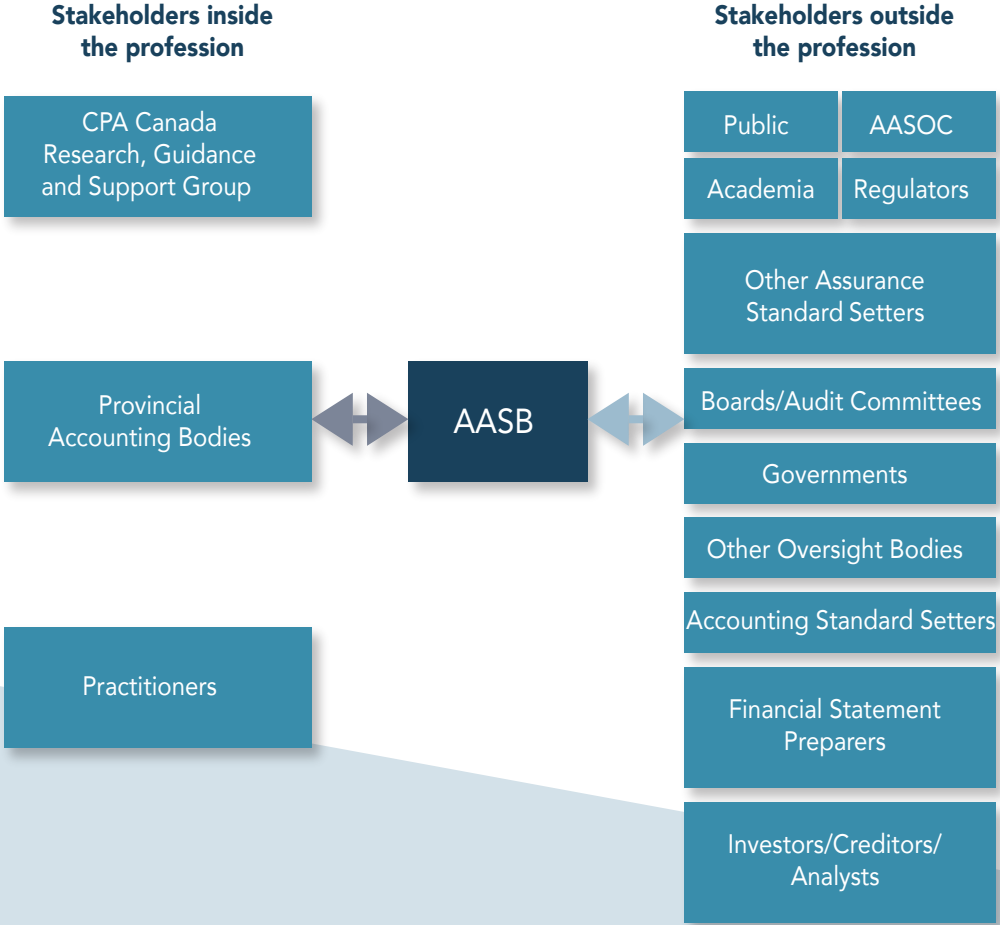
***“Because of the increased size of the governing body, Canada will have a stronger voice and more to say on both the domestic and international fronts.”***

A significant recent event in Canada is the unification of the Canadian accounting profession. Because of the increased size of the governing body, Canada will have a stronger voice and more to say on both the domestic and international fronts. How we consult and obtain stakeholder input could change. Our composition and size, and the composition of our task forces may also be affected by unification.

Canadian standard setting needs to actively consider the issues, initiatives or topics being addressed by other organizations that may have an effect on Canadian standards or stakeholders. We need to be aware of developments, both domestic and international, in making strategic decisions. To continue meeting the needs of Canadian stakeholders, we need to ensure that the types of projects we undertake, and the nature and scope of our activities are appropriate. We must remain relevant to Canadian stakeholders, while continuing to be effective in participating in and influencing international standards. Therefore, we will continue to monitor these and other developments in order to assess the effect on our Strategic Plan for 2016-2021 and annual operating plans.

## Our stakeholders

We have identified those stakeholders who significantly affect and/or are significantly affected by our activities. Stakeholders are in both the public and private sectors and are inside and outside the profession. We interact with these stakeholders through meetings and consultations, and keep stakeholders informed through webinars and regular updates to our website.





## OUR STRATEGIC PLANNING PROCESS

We have developed this Strategic Plan to provide a basis on which to set our future direction and allocate our resources to appropriate activities. The plan is designed to help us respond to significant developments in the environment in which auditing, other assurance and related services are performed, and in which standards for such services are set.

In the past, our strategic planning period covered three years. We believe that a five-year period more appropriately reflects the current environment and the nature of standard setting. Therefore, the plan serves as a guide for our activities over the next five years. However, we will continue to monitor the environment to identify developments that may necessitate an adjustment to the plan.

We have completed an assessment of the risks we face to ensure that this Strategic Plan appropriately addresses these risks. The results of this assessment are discussed on page 23.

In performing this risk assessment, we considered constraints that we face, including the sometimes limited input and feedback obtained from stakeholders. This Strategic Plan proposes a new strategy and actions we will take to actively engage more stakeholders in the standard-setting process in an attempt to address this constraint.

We also work within resource constraints, as all our members and members of our advisory groups and task forces are volunteers who have limits on the amount of time they are able to dedicate to our activities. There are also staffing constraints, including the ongoing need for technical staff and financial resources that can appropriately support us. This Strategic Plan assumes that resources will be available over the plan period to achieve our strategic objectives.



## OUR MISSION AND VISION .....

The general public and stakeholders in the Canadian economy need reliable information to make financial decisions. Our strong and clear auditing, other assurance and related services standards raise the credibility of information reported on by public accountants and of the reports they issue. We remain committed to meeting the needs of stakeholders by ensuring auditing, other assurance and related services standards in Canada are of high quality.

In this respect, our mission and vision statements, which are not significantly changed from previous statements, are as follows:

### Mission statement

*The AASB serves the public interest by setting standards and guidance and assisting in their implementation to enable the provision of high-quality, value-added and relevant auditing, other assurance and related services in Canada.*

### Vision statement

*Through its globally respected standard-setting capability and an engaged stakeholder community, the AASB's standards and guidance respond to the needs of Canadian stakeholders and contribute to enhanced quality and consistency of practice, which results in a high degree of public confidence in auditing, other assurance and related services.*

Our mission reflects the fact that we contribute to enhancing the quality and effectiveness of audits and other assurance and related services. However, factors other than standards and authoritative guidance affect the quality of service a practitioner provides. Other factors include:

- professional development and training;
- personal experience and competence;
- an accounting firm's quality control procedures; and
- effectiveness of practice inspections.

This Strategic Plan focuses on objectives and actions that are within our control.





## OUR STRATEGIC OBJECTIVES .....

We have identified long-term strategic objectives that we believe are critical to achieving our mission. Our strategic objectives are to:

- maintain a globally respected Canadian standard-setting capability that identifies and responds to the needs of Canadian stakeholders for standards and guidance that serve the public interest;
- achieve a high level of engagement with stakeholders to support the development of standards and guidance; and
- set, and assist with the successful implementation of, standards and guidance that form the basis for high-quality, value-added and relevant audits, other assurance and related services that meet the needs of Canadian stakeholders.

Our second strategic objective will be an area of increased focus. We have always attempted to engage our stakeholders through our exposure process. We now plan to increase efforts substantially in this area. We believe that to meet our first strategic objective, we must engage our stakeholders more actively. This may have significant implications on how we operate.

Each strategic objective is addressed separately below. We have set specific strategies that we will follow to achieve our strategic objectives. Also, for each strategy, we have identified a number of actions we may take to meet the strategy. Specific actions and indicators that will be used to measure our annual performance will be established in our annual operating plans.



## **STRATEGIES IN RESPONSE TO OUR STRATEGIC OBJECTIVES** .....

### **A. Maintain a globally respected Canadian standard-setting capability that identifies and responds to the needs of Canadian stakeholders for standards and guidance that serve the public interest**

We believe that it is in the public interest for Canada to have a strong domestic standard setter. It is necessary to maintain a globally respected Canadian standard-setting capability in order to respond to the needs of Canadian stakeholders in the domestic environment and also to present the Canadian viewpoint in the international standard-setting forum. We play a key role in identifying the needs of Canadian stakeholders and responding to those needs through the issuance of standards, whether adopted IAASB standards or unique Canadian standards. Although the IAASB sets standards internationally, we do not automatically adopt them in Canada without first considering the needs of Canadian stakeholders. We need to ensure that standards address the specific circumstances of the Canadian environment and issues that are important in Canada. Also, the IAASB standards are developed in an international context with broad application. Stakeholders often need assistance in understanding how international standards are applied in a Canadian context. Finally, the need for assurance services may evolve at a different pace or in different areas from those internationally. In these cases, we may develop a standard for a topic that the IAASB is not yet ready to address. We provide input to and seek to influence the direction



of projects undertaken by the IAASB. This is done by providing input to the CPA Canada nominee on the IAASB who attends all our meetings to hear our views. The technical advisor to the CPA Canada nominee on the IAASB is the Director, Auditing and Assurance Standards, who attends all IAASB meetings and may be a member of various IAASB task forces and working groups. In addition, we respond to all IAASB documents for comment to provide the views of Canadian stakeholders.

The qualitative characteristics of a globally respected standard setter include neutrality, objectivity, transparency, accountability, independence, competence, effectiveness and efficiency. We undertake a number of activities to enable us to be a globally respected standard setter, including regular monitoring of the domestic and global environment, liaising with Canadian stakeholders, working with other standard setters, considering future developments, maintaining and enhancing a due process that is consistent with other leading standard setters and responding to the public interest.

Strong emphasis is placed on the skills and contributions of our volunteers. The AASOC Nominating Committee determines criteria and competencies required of our Chair and members. All members, including the Chair, are provided with an in-depth orientation. To assess performance, we conduct an annual self-assessment of our members, including our Chair. We believe that it has an effective process in place to identify and recruit other volunteers.

Unlike some national standard setters, we do not meet in public.<sup>1</sup> Our meeting agendas are available online in advance of the meeting and summaries of the decisions made in the meeting are posted afterwards. We previously considered whether we should meet in public in order to increase the transparency of our technical deliberations and thereby actively engage stakeholders. However, we continue to believe that meeting in private enables our members, who are volunteers, to freely share their opinions, and carry out their responsibilities in a neutral and objective manner. We continue to monitor this aspect of our operations.

### *Our strategy*

We will identify and implement improvements to our due process, composition and other activities so that we continue to exhibit the characterization of an effective and efficient standard setter.

### *Our actions*

In order to meet our objectives, we will take the following actions:

- Investigate and implement ways to improve the efficiency and timeliness of the standard-setting process in Canada. We will review our due process to improve the efficiency of our meeting time and progress on projects. We will also consider the due process followed by international standard setters and implement changes that would be an improvement over our existing processes.

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<sup>1</sup> This approach is consistent with that of both the Accounting Standards Board and the Public Sector Accounting Board.

- We will work with AASOC to identify the specific competencies required of our members in light of expected projects to be undertaken during the period covered by this Strategic Plan and beyond. As well, we will seek to ensure that talented Canadians are encouraged to become involved in the standard-setting process.
- Develop a process for completing a post-implementation review of standards. This will assist us in determining whether Canadian needs are being met and whether standards continue to meet the public interest. A specific issue that will be addressed in the post-implementation reviews will be the application of standards to engagements of varying sizes.
- Evaluate resources in the context of the expanding activities proposed in this Strategic Plan.
- Increase our focus on developments and participate in activities to ensure the continued relevance and added value of audits, other assurance and related services.
- Enhance processes to reinforce our attention to public interest issues. AASOC is considering the definition of public interest and how we and AASOC serve the public interest. We will work with AASOC to ensure that processes followed are updated or revised, as necessary.
- Provide effective input and support to the CPA Canada nominee on the IAASB in order to have continued involvement with and influence on the projects of the IAASB. We will also assist CPA Canada in identifying future nominees to the IAASB.

## B. Achieve a high level of engagement with stakeholders to support the development of standards and guidance

We recognize that we cannot set standards that are in the public interest unless we can effectively engage with our various stakeholders. We do not work in isolation; we need to be able to understand the issues and concerns of Canadian stakeholders in order to make informed decisions. Stakeholders play an essential role in enhancing the quality of financial and corporate reporting, and related audit, other assurance or related services that are provided in order to enhance users' confidence. To make the right decisions at the right time, we must successfully engage our stakeholders. Therefore, engaging stakeholders by strengthening outreach and collaboration is critical to enabling us to achieve our mission and vision. We believe so strongly in this that we have established a separate strategic objective on this topic and will increase our activities in engaging our stakeholders going forward.

We need direct evidence on which to base our decisions and thereby meet the needs of our stakeholders. In the past, when we issued exposure drafts on proposed standards, many responses were received from stakeholders. But the number of responses received has dwindled over the past decade. A number of key stakeholder groups do not respond to exposure drafts and, therefore, we do not hear their views. Such views are important in helping us make our decisions based on available evidence. We recognize that we need to be more proactive in seeking the views of a variety of stakeholders.

### *Our strategy*

We will place increased emphasis on effectively interacting and engaging with all our stakeholders to improve the identification of priorities and the development of standards and guidance.

### *Our actions*

In order to meet our objectives, we will take the following actions:

- Review and assess ways that we currently engage different stakeholder groups. Based on this evaluation, we will identify stakeholder groups where the current level of engagement is lower, and work on expanding dialogues with them and how we may better engage them.
- Develop and implement an approach to better interact with stakeholders to identify current and future needs, and to obtain input on specific issues we are dealing with.
- Establish a social media presence to both inform stakeholders on a timely basis (for example, by highlighting key decisions made at our meetings through podcasts), and to enhance interaction with stakeholders (for example, by opening conversations on various topics on social media and allowing stakeholders to respond directly with comments).

## C. Set, and assist with the successful implementation of, standards and guidance that form the basis for high-quality, value-added and relevant audits, other assurance and related services that meet the needs of Canadian stakeholders

Legislators, regulators, investors and other stakeholders need to have confidence that audits, other assurance and related services in Canada are high-quality, valuable and relevant. Standards and guidance must meet the needs of both those who provide and rely on these services in:

- both the public and private sectors;
- Canadian markets (i.e., both privately and publicly held entities);
- smaller, local and regional markets; and
- international markets.

We believe that a strong service provider community is needed to serve the public interest. These service providers use the standards in the Handbook. Standards need to be easily interpreted and applied if they are to meet the needs of stakeholders and thereby the public interest.

Standards and guidance are developed following different processes. Therefore, we have considered each type of standard and guidance in setting our specific strategies and actions, as outlined below.

### C1. Audits of historical financial statements

We adopted ISAs set by the IAASB as CASs in 2010 after extensive consultation. At that time, we believed that converging with ISAs was the best option for the future of standard setting in Canada for the following reasons:

- the IAASB's conceptual framework and standard-setting philosophy is closely aligned with ours;
- ISAs are increasingly being accepted as global auditing standards because of the rigour of the IAASB's due process and the quality of the standards it produces;
- the IAASB had completed a major project to clarify and restructure its standards aimed at producing higher quality audits; and
- ISAs reflect the needs of a broad range of stakeholders, including practitioners from smaller firms and the public sector.

As a result, the auditing standards in the Handbook took on the IAASB format.

In implementing our adoption approach, we acknowledged that it is important that we consider the implications of ISAs in a Canadian context and, potentially, address areas not dealt with in ISAs (such as to address the Canadian securities regulatory environment). However, many stakeholders discouraged us from making amendments to ISAs because:

- there could be confusion as to what auditing standards were used to audit the financial statements;
- Canada needed to demonstrate that its standards are of the same high quality as globally accepted auditing standards;
- it could increase the burden of standards overload for practitioners if changes were needed to their audit methodologies as these are often founded on ISAs; and
- it avoided the perception that Canada was not fully committed to ISA adoption, thereby impeding Canada's ability to influence the IAASB in the development of ISAs.

Accordingly, our approach in adopting ISAs as CASs is to make amendments only in accordance with strict criteria. When amendments are made, they are clearly identified in the Handbook. The criteria for making amendments are presented in Appendix 1. To date, our amendments have been restricted to:

- replacing references to the International Ethics Standards Board for Accountants Code of Ethics with references to rules of professional conduct/code of ethics applicable to the practice of public accounting and related to assurance engagements;
- incorporating protocols with other bodies (lawyers and actuaries);
- incorporating reference to Canadian financial reporting frameworks; and
- clarifying the authority of assurance and related services guidelines.

A key principle to ISAs and, thereby, the CASs, is that the standards apply to audits of all sizes and types of entities (i.e., an audit is an audit). ISAs are meant to be scalable; auditors use professional judgment to determine how to apply the principles-based ISAs to audits of smaller entities. ISAs contain application material to highlight areas where requirements may be applied differently in audits of smaller entities.

We believe that the IAASB has a strong standard-setting capability, including a detailed and transparent due process and oversight by an independent body. Because we are able to contribute to the IAASB process, this results in relevant, high-quality standards that can be used in Canada. Adopting ISAs as CASs in Canada is also an efficient and cost-effective way to develop standards versus developing Canadian-only standards. Therefore we continue to believe that it is appropriate to adopt ISAs as CASs in Canada. However, we have heard from some practitioners in small and medium-sized practices that the CASs are difficult to apply efficiently to audits of smaller entities. These practitioners have asked us to consider making amendments to the CASs to reflect the specific circumstances of audits of smaller entities, including eliminating the need for auditors of such entities to follow all the requirements in the CASs. We acknowledge the issues faced by small and medium-sized practices. We continue to believe that professional judgment can be used in applying the CASs, resulting in efficient and effective audits of even the smallest entities.

We recognize that we need to devote more effort to understanding the specific challenges practitioners face when applying the CASs to audits of smaller entities and considering a means of addressing them.

### *Results of preliminary discussions*

In developing this Strategic Plan, we had meetings with a limited number of stakeholders to obtain input on certain of our activities and on the potential direction our plan could take. Participants were asked if they believed we should continue to adopt ISAs as Canadian generally accepted auditing standards for audits of financial statements. The overwhelming response was for us to maintain our practice of adopting ISAs as CASs with limited amendments. For the most part, participants felt that the CASs are appropriate in the context of the Canadian environment. However, responses to recent exposure drafts, including auditor reporting and CAS 720, *The Auditor's Responsibilities Relating to Other Information*, suggest that some Canadian stakeholders would like us to be willing to consider more substantial amendments to ISAs, particularly relating to reporting standards. They believe ISAs may not always be suitable to the Canadian environment. Some stakeholders also have the view that we are too strict in applying our amendment criteria; some latitude to reflect Canadian needs could result in standards that are more appropriate for the Canadian environment.

### *Our strategy*

We will set high-quality standards for audits of financial information that are appropriate for use in Canada.

### *Our actions*

In order to meet our objectives, we will take the following actions:

- Identify opportunities to obtain Canadian input at an earlier stage in a project, thereby strengthening our efforts to inform the IAASB as it addresses issues in developing and revising ISAs.
- Reassess our criteria for amending ISAs when adopting them as CASs to determine whether the criteria remain appropriate as a basis for developing CASs taking into consideration issues that have been raised by stakeholders.
- Place increased emphasis on identifying and responding to scalability issues arising from new and revised standards. This will include a plan to identify such scalability issues and consider how standard setters in other jurisdictions are identifying and addressing these issues.
- Conduct a post-implementation review of those CASs for which the IAASB is conducting its own post-implementation review. This review will help us identify areas where revisions may be necessary to the standards to inform the IAASB process, or where implementation material may be needed at a Canadian level.

## C2. Standards for engagements other than audits of historical financial statements

For a number of years, standard setters, regulators, practitioners and other stakeholders have raised concerns about the need to enhance the relevance and value of the audit of financial statements. These groups have now begun to discuss how practitioners can add credibility to information beyond the audited financial statements (for example, to sustainability or other corporate reporting). We recognize the need to not only keep track of such trends but also to consider whether existing standards are suitable for emerging services.

When we decided to adopt ISAs as CASs, questions were raised about our standard-setting role going forward. However stakeholders recognized the need for us to continue to serve the public interest and the needs of Canadian stakeholders by setting standards for services other than audits of historical financial statements.

In addition to standards for audits of historical financial statements, we develop standards for other types of engagements, such as review engagements, compilation engagements, engagements addressing capital market issues and other related services. These standards are developed using a case-by-case approach. We may develop Canadian-only standards, adopt an international standard using the same criteria for making amendments as for ISAs, base a standard on an international standard but make revisions that go beyond the criteria used for amendments to ISAs, or base a standard on one issued by a national standard setter other than the IAASB. Matters that we take into consideration include whether:

- there is an equivalent international standard;
- there is a need to maintain consistency on a North American basis; or
- a unique Canadian solution is needed.

Over the past decade, a significant shift in the overall assurance landscape has occurred in Canada. For a variety of reasons, practitioners are now often performing review or compilation engagements when, in the past, audits or reviews, respectively, were performed. We recognize the need for updated standards for engagements such as review or compilation of financial statements. We are close to completing revisions to existing standards for review engagements and have commenced a project to consider revisions to Section 9200, *Compilation Engagements*.

We monitor and provide input on the IAASB projects relating to standards other than ISAs. In doing so, we consider the need for such standards in Canada. In addition, we conduct an environmental scan to identify Canadian needs. The environmental scan includes:

- quarterly monitoring of key developments in peer jurisdictions (for example, new or revised standards developed by other national standard setters); and
- considering input received from Canadian stakeholders, including practitioners and regulators.

### *Results of preliminary discussions*

Participants were asked if we should continue to develop standards for engagements other than audits of historical financial statements and, if so, whether the current approach to identifying and developing such standards continues to be effective. Participants generally agreed that it is necessary for us to continue to develop these standards and the current approach works reasonably well. However, some believe we could be more proactive in identifying potential projects.

### *Our strategy*

We will set high-quality standards for engagements other than audits of historical financial information that respond to the needs of Canadian stakeholders.

### *Our actions*

In order to meet our objectives, we will take the following actions:

- Leverage from enhanced stakeholder engagement (refer to Strategic Objective B) to draw out from our stakeholders what type of assurance or related service is needed. This will include developing and implementing an approach to interacting with stakeholders to identify current and future needs and to obtain input on specific issues we are dealing with.
- Understand how current standards are being implemented with a goal of improving existing standards or developing new standards. Obtaining this understanding will include a post-implementation review of recently issued standards to assess whether the needs of stakeholders are being met by the new or revised standards.
- Identify ways to make the best use of existing material of other national standard setters.

## **C3. Assisting in the successful implementation of standards**

For many years, we have heard from practitioners that guidance is necessary to aid in the implementation of standards. Our view has been that we cannot simply issue a standard and “walk away”. That being said, there is a risk that if we prepare implementation material (i.e., material outside the Handbook that is aimed at helping practitioners implement the standard), such guidance would be seen as authoritative when it is not intended to be. We also recognize that other bodies may be better placed to develop many forms of implementation material, such as educational and training tools. Nevertheless, we believe that we have a role to play in identifying where implementation material may be needed and in providing advice to bodies developing such material (for example, by identifying areas where we believe that practitioners may struggle in implementing a standard or by performing reviews of the material for fatal flaws). Such involvement would assist the development of the material and, ultimately, practitioners in successfully implementing standards.



Our role is to develop auditing, other assurance and related services standards and guidance to enable the public accounting profession to provide services that serve the public interest. When we issue a new or a revised standard, it is often accompanied by implementation material. Implementation material may be developed by various groups and occasionally by us or our staff. Our decision as to whether to develop implementation material on a new or revised standard is made on a case-by-case basis after considering whether the work is, or may be, done by another appropriate body and whether that body can develop high-quality implementation material within a desired time frame.

### *Results of preliminary discussions*

Participants were asked what type of implementation material is most useful. They were also asked if they would like to see any changes to the nature, timing and extent of implementation material. The majority of participants voiced the need for implementation material but did not specify the nature or type of material that they find most useful, nor did they identify specific topics for which they would like to see guidance issued.

### *Our strategy*

We will implement a process to identify challenges faced by practitioners in implementing standards and to work with appropriate parties to address these challenges.

### *Our actions*

In order to meet our objectives, we will take the following actions:

- Develop a process for identifying possible needs for implementation material at an early stage in new projects.
- Consider the results of our post-implementation reviews of standards to determine if implementation material is necessary.
- When conducting consultations on proposed standards, seek input on potential implementation challenges that may arise.
- When monitoring the activities of other national standard setters, identify implementation material they are developing for equivalent standards and determine whether such material may be appropriate for our Canadian stakeholders to assist in the implementation of standards. We will consider the best means of introducing such material to our Canadian stakeholders.



## RISK ASSESSMENT .....

We face a number of risks in fulfilling our mandate. These risks may be categorized as follows:

- Strategic – the risk that we select strategies that do not allow us to achieve our objectives.
- Operational – the risk that our strategies are poorly executed for a variety of reasons including inadequate resources.
- Acceptance – the risk that, even though the standards we issue are of overall high quality and meet our objectives, our stakeholders do not agree with this assessment and do not apply some or all of the standards.
- Reputational – the risk of reputational damage to us and the auditing profession in Canada.

The strategies in this Strategic Plan have been developed keeping in mind the key risks in each category and the controls in place to mitigate those risks.

We will need to obtain feedback from our stakeholders over the term of our strategic plan to assess whether, in fact, our activities are producing the intended outcomes and whether those outcomes are bringing us and our stakeholders closer to our vision. Feedback will be sought continually through communication activities generally and through periodic surveys. Each annual operating plan will contain specific performance indicators to assess progress in achieving annual targets for each of the strategies.



## **MONITORING SUCCESS UNDER THE STRATEGIC PLAN FOR 2016-2021** .....

We will monitor our success under the Strategic Plan for 2016-2021. This monitoring will involve an annual review of our strategic objectives and actions we take as part of our annual reporting. In addition, we will conduct a detailed review of the Strategic Plan for 2016-2021 midway through the period covered by the plan. This review will involve obtaining feedback from stakeholders to ensure that the activities we undertake continue to meet the needs of Canadian stakeholders and are in the public interest. Feedback will be obtained through regular communications activities and through periodic surveys of stakeholders.



## ANNUAL OPERATING PLANS .....

This Strategic Plan does not include a work program setting out specific projects that we will undertake. We will prepare and publish annual operating plans that will be available on the website at [www.frascanada.ca](http://www.frascanada.ca). Indicators against which our performance can be measured will be included in the annual operating plans.

## APPENDIX 1

# AMENDMENT CRITERIA USED BY THE AASB WHEN ADOPTING ISQCs AS CSQCs, ISAs AS CASs AND ISAEs AS CSAEs

With respect to the adoption of International Standards on Auditing (ISAs)<sup>1</sup> as Canadian Auditing Standards (CASs), and the adoption of an International Standard on Assurance Engagements (ISAE) as a Canadian Standard on Assurance Engagement (CSAE), on a case-by-case basis, the Auditing and Assurance Standards Board's (AASB) overriding goal is to adopt ISAs into the Assurance Handbook without amendment. However, there may be circumstances where amendments are required. The following sets out the limited circumstances when the AASB will make amendments to ISAs:

1. The AASB will limit additions to an ISA to those required to comply with Canadian legal and regulatory requirements.<sup>2</sup>
2. The AASB will limit deletions from, or other amendments to, an ISA to the following:
  - (a) The elimination of options (alternatives) provided for in the ISA.
  - (b) Requirements or guidance, the application of which Canadian law or regulation<sup>2</sup> does not permit, or which require amendment to be consistent with law or regulation.
  - (c) Requirements or guidance, where the ISA recognizes that different practices may apply in different jurisdictions and Canada is such a jurisdiction.
3. The AASB may make amendments to an ISA with respect to requirements or guidance that do not fall within 1 or 2 above when it believes that there are circumstances particular to the Canadian environment where such amendments are required to serve the Canadian public interest and maintain the quality of auditing and reporting in Canada.
4. To the extent possible, amendments that are:
  - (a) Additions to an ISA will not be inconsistent with the current requirements or guidance in the ISA; and
  - (b) Deletions from, or other amendments to, an ISA will be replaced by an appropriate alternative that achieves the objective of the deleted requirement.

Proposed amendments to an ISA will be highlighted in exposure drafts of proposed Canadian standards. The AASB will indicate the reasoning for the amendments and respondents will be invited to comment on them, including when the amendment will not result in convergence with the ISA in accordance with the International Auditing and Assurance Standards Board's guide for national standard setters. Amendments to ISAs will be separately identified in the final Assurance Handbook material.

1 Reference to ISAs in this Appendix also includes reference to International Standards on Quality Control (ISQCs) adopted as Canadian Standards on Quality Control (CSQCs) and relevant International Standards on Assurance Engagements (ISAEs) adopted as Canadian Standards on Assurance Engagements (CSAEs) by the AASB, where applicable.

2 Canadian incorporating and other governing legislation often require entities to prepare financial statements in accordance with Canadian GAAP. Accordingly, if Canadian GAAP necessitates a different audit response in Canada, these differences fall within the definition of a legal or regulatory requirement.



*Front (seated L-R) – Anna Moreton, Cathy MacGregor, Darrell Jensen, Marian McMahon*

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