

# Auditing and Assurance Standards Board

## AASB Operating Plan

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2017-2018

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## Introduction

The Auditing and Assurance Standards Board's (AASB) 2017-2018 Operating Plan is based on the vision, mission and strategic objectives set out in our [2016-2021 Strategic Plan](#). Appendix 1 outlines key assumptions made in developing this Plan.

The AASB 2016-2017 Annual Report includes details of our performance in relation to the goals set out in our 2016-2017 Operating Plan.

## 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.*

## Strategic Objectives

Our 2016-2021 Strategic Plan sets out high-level objectives to help us achieve our mission and vision:

- 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.
- 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.

## 2017-2018 Activities

### Maintain a Globally-respected Canadian Standard-setting Capability

In our 2016-2021 Strategic Plan, we stated that we will identify and make improvements to our due process, composition and other activities. As we reported in our 2016-2017 Annual Report, we started a number of projects in this area. We made good progress on many of these, and will continue our efforts in 2017-2018.

We are considering how our due process could change to improve our efficiency and effectiveness. We will form a Steering Committee comprising a small number of AASB members to help staff identify improvements in our processes, and work with staff on certain projects to reduce the amount of time needed on these projects at AASB meetings.

A compensated AASB Chair will be hired in 2017-2018, giving us a leader who can dedicate more time to our mission and vision and provide multi-year continuity in building relationships with stakeholders and other standard setters. While this Chair may not have a significant impact on our 2017-2018 Operating Plan, we expect to begin seeing benefits in the latter part of the year.

In our 2016-2021 Strategic Plan, we stated that we will conduct post-implementation reviews of issued standards. We did not have a formal process in place for conducting such reviews. In 2016-2017 we began to develop a process that we will complete this year, after which we identify a topic on which to conduct a pilot review.

Project	Targets
Review of our current processes	<ul style="list-style-type: none"> <li>• Appoint a Steering Committee to work with staff to identify process improvements</li> <li>• Participate in recruiting a part-time compensated Chair for the AASB</li> </ul>
Identify and respond to scalability issues	<ul style="list-style-type: none"> <li>• Find ways to boost input from small and medium-sized practitioners</li> <li>• Gather input from small and medium-sized practitioners to identify and understand issues they face</li> </ul>
Review our criteria for making amendments to ISAs when adopting them as CASs	<ul style="list-style-type: none"> <li>• Continue internal discussions and decide on next steps</li> <li>• Conclude considerations by the end of the year</li> </ul>

Project	Targets
Comparison of our processes with those of other national and domestic standard setters	<ul style="list-style-type: none"> <li>Continue research into processes for relevant standard setters and identify opportunities for process improvements</li> </ul>
Assess a means of enhancing our understanding of standards implementation issues and audit inspection findings	<ul style="list-style-type: none"> <li>Formalize the nature, timing and extent of interactions with developers of non-authoritative guidance and audit inspectors</li> </ul>
Develop a formal process for post-implementation reviews	<ul style="list-style-type: none"> <li>Identify topic for pilot review by the third quarter of 2017</li> <li>Conduct the review and begin to assess the input received</li> </ul>
Review how we address current and future developments in assurance and related services	<ul style="list-style-type: none"> <li>Complete analysis framework</li> <li>Identify ongoing areas of focus for the AASB's 2018-2019 Operating Plan</li> </ul>

### **Achieve a High Level of Stakeholder Engagement**

In our 2016-2021 Strategic Plan, we recognized the need to continuously improve our interaction and engagement with our stakeholders.

We have begun to review and assess the ways we interact with different groups. We made progress in 2016-2017 in engaging groups including regulators, small and medium-sized practitioner communities and analysts.

In 2017-2018 we will continue to build on these relationships. We will also identify other groups with whom we want increased interaction.

Our October 2017 meeting will take place in Vancouver. We are planning outreach sessions. We hope to engage with local practitioners, regulators, investors and other stakeholders.

Project	Targets
Review how we communicate with stakeholders	<ul style="list-style-type: none"> <li>● Launch rebranding in 2017-2018</li> <li>● Complete website redesign</li> </ul>
Research on implementation of auditor reporting ISAs (joint project with Australian AASB)	<ul style="list-style-type: none"> <li>● Conduct survey of auditor reports and stakeholder reactions to the new reporting</li> </ul>
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	<ul style="list-style-type: none"> <li>● Conduct outreach with various stakeholders at the AASB's October 2017 meeting in Vancouver</li> <li>● Continue to engage investors (through CFA Institute events)</li> <li>● Conduct survey of practitioners who participated in roundtable sessions on compilation engagements and agreed-upon procedures</li> </ul>

## Set and Assist with the Successful Implementation of Standards

This strategic objective addresses:

- standards for audits of historical financial statements;
- standards for engagements other than audits of historical financial statements; and
- assisting in the implementation of standards.

We have a number of standards-related projects underway. Some of these projects are done in conjunction with the International Auditing and Assurance Standards Board (IAASB), while others are Canadian-specific. Details of these projects are on our website – [www.frascanada.ca](http://www.frascanada.ca)

Our process includes monitoring and providing timely input to the IAASB based on its timetable. As we do not control the timing of these projects, the expected timing may change.

In addition to this project work, we will continue to consider how to identify and better respond to issues around how standards are appropriately applied across a broad range of engagements and sizes of firms (“scalability of standards”). The IAASB is also considering this issue. We will seek Canadian stakeholder views and provide these to the IAASB. In addition, we will talk openly about scalability in our Canadian standards projects.

When it comes to implementing standards, we are considering areas where practitioners may face challenges. We will consider how to better identify implementation needs at an earlier stage in a project and support the development of guidance to address those needs. In particular, we are working to update an auditor reporting guide with CPA Canada’s Research Guidance and Support group. We had several discussions on the auditor reporting standards in 2016-2017, including how we can support their effective implementation in Canada. We will continue these discussions in 2017-2018.

Practitioners have questioned what standard to apply in differing engagement circumstances when asked to report on information other than historical financial information. AASB staff, along with CPA Canada staff, will conduct research into this issue and make recommendations for our consideration. The outcome of this project could include revisions to standards or support the issuance of non-authoritative guidance.

We expect to approve and issue revised auditor reporting standards this year. In addition, we have started a joint project with the Australian Auditing and Assurance Standards Board that involves conducting research into auditors’ reports issued using the IAASB’s auditor reporting standards. The results of this project will be provided to the IAASB when it conducts its post-implementation review of the standards. It will also inform our decisions regarding the applicability of reporting on key audit matters to smaller listed entities.

### Standards-related Projects

Project	Targets
<i>Canadian Auditing Standards</i>	
<a href="#">Auditing Accounting Estimates</a> – revisions to CAS 540	<ul style="list-style-type: none"> <li>• Obtain views of Canadian stakeholders through the AASB’s Advisory Group</li> <li>• Provide input to the CPA Canada Nominee on the IAASB</li> <li>• Issue an exposure draft following issuance of the IAASB’s exposure draft on ISA 540</li> <li>• Obtain views of Canadian stakeholders through consultations during the exposure period</li> </ul>

Project	Targets
<a href="#">Auditor Reporting</a> – new CAS 701 and revisions to various CASs	<ul style="list-style-type: none"> <li>• Issue standards</li> <li>• Work with other groups to help in the development of guidance that will assist practitioners in the successful implementation of the standards</li> <li>• Meet with stakeholder groups to expand awareness of the new auditor report</li> </ul>
<a href="#">Financial Statement Disclosures</a> – revisions to various CASs	<ul style="list-style-type: none"> <li>• Issue standards</li> </ul>
<a href="#">Group Audits</a> – revisions to CAS 600	<ul style="list-style-type: none"> <li>• Recruit members for a Canadian advisory group</li> <li>• Obtain views of Canadian stakeholders through the advisory group</li> <li>• Provide input to the CPA Canada Nominee on the IAASB</li> </ul>
<a href="#">Responsibilities Relating to Other Information</a> – revisions to CAS 720	<ul style="list-style-type: none"> <li>• Issue standards</li> </ul>
<a href="#">Identifying and Assessing the Risks of Material Misstatement</a> – revisions to CAS 315	<ul style="list-style-type: none"> <li>• Obtain views of Canadian stakeholders through the advisory group</li> <li>• Provide input to the CPA Canada Nominee on the IAASB</li> </ul>
<a href="#">Quality Control</a> – revisions to CSQC 1 and CAS 220	<ul style="list-style-type: none"> <li>• Recruit members for a Canadian advisory group</li> <li>• Obtain views of Canadian stakeholders through the advisory group</li> <li>• Provide input to the CPA Canada Nominee on the IAASB</li> </ul>
<i>Assurance and Related Services Standards (other than CASs)</i>	
<a href="#">Agreed-upon Procedures</a> - update Section 9100	<ul style="list-style-type: none"> <li>• Participate directly in the IAASB’s project by providing staff support to the IAASB</li> </ul>
<a href="#">Compilation Engagements</a> - update Section 9100	<ul style="list-style-type: none"> <li>• Continued discussion with stakeholders</li> <li>• Issue an exposure draft in the third quarter of 2017</li> </ul>

Project	Targets
<a href="#">Public Sector Auditing Standards</a> – update the public sector series of auditing standards	<ul style="list-style-type: none"> <li>• Issue an exposure draft in the second quarter of 2017</li> </ul>
<a href="#">Service Organizations</a> - update CSAE 3416	<ul style="list-style-type: none"> <li>• Issue a communication to stakeholders addressing recent changes to the American Institute of Certified Public Accountants standards</li> <li>• Begin project to revise CSAE 3416</li> </ul>
<a href="#">Special Reports</a> – update Sections 5800, 5815 and 8600	<ul style="list-style-type: none"> <li>• Issue a re-exposure draft in the first quarter of 2017</li> <li>• Issue final standards by the end of the year</li> </ul>

## Appendix 1 - Assumptions Regarding Operating Procedures and Resources

- Standard-setting projects currently approved, or approved in principle, will begin and will continue to completion.
- We will assign enough resources to complete the plan, including holding six two-day meetings and conference calls, as necessary.
- We will continue to stay aligned with the IAASB's agenda with regard to monitoring and providing feedback to the IAASB, as well as the following:
  - **ISAs to be adopted as CASs.** In addition to close involvement throughout the project – both directly and through the CPA Canada nominee on the IAASB – we will issue exposure drafts and final standards very soon after the IAASB issues its material.
  - **Other standards projects.** We will consider whether it is appropriate to leverage the IAASB's activities in developing standards to meet Canadian needs.
- We will be able to recruit volunteers for task forces and advisory groups, as necessary.
- We will establish a Steering Committee made up of members of the AASB. Staff will work directly with this Committee on certain projects, reducing the amount of time needed for discussion by the full AASB.
- We will participate in recruiting a compensated Chair. This person will be able to give more time to AASB activities than a volunteer Chair.
- Six full-time Principals, plus the Director and one administrative assistant provide staff support. In addition to providing support to the AASB, staff perform other activities, including:
  - liaison;
  - research;
  - responding to queries;
  - communications;
  - technical reviews; and
  - developing or assisting in developing non-authoritative guidance, etc.