



Auditing and Assurance  
Standards Board

# Annual Plan

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April 1, 2018–March 31, 2019

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## Introduction

The Auditing and Assurance Standards Board's (AASB) 2018-2019 Annual 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 our Annual Plan.

## Our 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.*

## Our 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 Strategic Plan 2016-2021

Our 2016-2021 Strategic Plan sets out our high-level objectives to help us achieve our mission, vision, and strategies. It is designed to meet the objectives outlined below.

	Objective	Strategy
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.	Identify and implement improvements to our due process, composition, and other activities so that we continue to be an effective and efficient standard setter.
B	Achieve a high level of engagement with stakeholders to support the development of standards and guidance.	Place increased emphasis on effectively interacting and engaging with all stakeholders to improve the identification of priorities and the development of standards and guidance.
C	Set, and assist with the successful implementation of, standards and guidance that form the basis for high-quality, value-	C1. Set high-quality standards for audits of financial information that are appropriate for use in Canada.

Objective	Strategy
	<p>added, and relevant audits, other assurance, and related services that meet the needs of Canadian stakeholders.</p> <p>C2. Set high-quality standards for engagements other than audits of historical financial information that respond to the needs of Canadian stakeholders.</p> <p>C3. Implement a process to identify challenges faced by practitioners in implementing standards and work with appropriate parties to address identified challenges.</p>

In reviewing our progress toward our overall objectives after the first two years of our Strategic Plan, we believe our strategies remain appropriate for the current Annual Plan's year.

## Public interest considerations

The public interest is an overriding consideration for all our activities.

Public interest considerations guiding the development of our Annual Plan were brought to our attention in the past year. We heard from stakeholders through outreach sessions, surveys, inspection report reviews, as well as responses to and consultations on documents for comment. Considerations stakeholders raised included the following:

- The standard-setting environment reflects the pace of change in business. Standard setters are under pressure to constantly consider how to maintain and enhance due process procedures. The international standard-setting process is also under review with potential implications on our ability to influence the international agenda and to adopt international standards.
- A gap continues to exist between what stakeholders believe auditors do and what they actually do. Investors (among others) increasingly use information other than audited financial statements to make decisions. They may be assuming that auditors are involved with that other information. Stakeholders also question whether the role of the auditor should be expanded to address information supplemental to financial statements.
- The quality of audits is improving, though provincial inspections and audit regulators continue to find deficiencies in engagements that may require revisions to standards or issuance of guidance.
- There are concerns around international standards. These include the ongoing number of significant projects, and the scalability of those standards based on the size and complexity of the entity and the risk of material misstatement.
- There is a strong demand for changes to standards other than the Canadian Auditing Standards (CASs). These standards are relevant for entities of all sizes in the public and private sectors.

- There is an increasing need for timely implementation guidance to support new and revised standards. Practitioners from small and medium-sized practices (SMPs) do not have the resources to develop their own guidance.
- Emerging technologies used by entities and accounting firms are bringing into question whether auditing, assurance, and related services standards will remain fit for purpose in this environment.

The activities in this Annual Plan include consideration of these factors.

## Activities and targets for 2018-2019

Our fiscal year is April 1, 2018 – March 31, 2019.

The following summary sets out our key activities and targets for 2018-2019 for each of our strategic objectives.

For specifics on these activities, see our Activities Matrix.

### Objective A: 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. We are considering how our due process could change to improve our efficiency and effectiveness.

Key Activities in 2018-2019	Targets
<b>New</b>	
We will monitor and respond to international developments, including the Monitoring Group consultation paper, <i>Strengthening the Governance and Oversight of the International Audit-related Standard-setting Boards in the Public Interest</i> .	<ul style="list-style-type: none"> <li>• Issue timely reports to the Auditing and Assurance Standards Oversight Council throughout the year on public interest issues and concerns identified through active monitoring.</li> </ul>
We will monitor the use of emerging technologies in financial reporting and audit (i.e., block chain, artificial intelligence, and data analytics) by: <ul style="list-style-type: none"> <li>• Using subject-matter experts to educate us on current topics; and</li> <li>• Holding an information technology (IT) forum to discuss current technology risks</li> </ul>	<ul style="list-style-type: none"> <li>• Invite subject-matter experts to educate us on up to 3 emerging topics by the end of Q4.</li> <li>• Account for the results of an IT forum in the 2019-2020 Annual Plan.</li> </ul>

Key Activities in 2018-2019	Targets
and potential impacts on assurance standards and planning.	
<b>Continuing</b>	
We will implement the framework established in the last year to identify, assess, and respond to emerging developments in assurance and related services.	<ul style="list-style-type: none"> <li>Recent developments that affect standard setting are identified and considered in our Annual Plan's discussions.</li> </ul>

## Objective B: Achieve a high level of stakeholder engagement

In our 2016-2021 Strategic Plan, we recognize a need to continuously improve engagement with our stakeholders. We continue to review and assess how we interact with different groups. We are identifying better ways of engaging with stakeholders in the future.

In 2018-2019, we will focus on enhancing our plan to engage with stakeholders:

- to identify emerging issues;
- inform them of our priorities, standards projects, and other activities; and
- build relationships.

The following Annual Plan activities are identified as key in enhancing our stakeholder engagement plan.

Key Activities in 2018-2019	Targets
<b>New</b>	
We will conduct outreach with one new stakeholder (public sector auditors).	<ul style="list-style-type: none"> <li>Public sector outreach to a minimum of 10 legislative auditors.</li> </ul>
<b>Continuing</b>	
<p>We will continue:</p> <ul style="list-style-type: none"> <li>reaching out to regulators, investors, and corporate directors, expanding on our October 2017 AASB outreach session and other previous interactions;</li> <li>communicating with stakeholders about standards-related projects and implementation needs; and</li> </ul>	<ul style="list-style-type: none"> <li>Relevance of Audit sessions include a minimum of 20 investors, 20 audit committee members, and 10 CFOs or financial-statement preparers.</li> <li>Chair to attend one International Auditing and Assurance Standard Board (IAASB) meeting, National Standard Setters meeting, and introductory meetings with senior representatives at the Canadian Securities Administrators, Canadian Public Accountability Board, Office of the</li> </ul>

Key Activities in 2018-2019	Targets
<ul style="list-style-type: none"> <li>engaging with stakeholders to identify and address issues specific to private entities, entities within the public sector, and not-for-profit organizations.</li> </ul>	<p>Superintendent of Financial Institutions, and provincial accounting bodies.</p> <ul style="list-style-type: none"> <li>Outreach with practitioners from small-medium-sized practices includes a minimum of 20 participants.</li> <li>Positive survey results from outreach participants.</li> <li>Input from outreach will be used to develop Annual Plan 2019-2020.</li> </ul>
<p>We will explore whether additional material can be developed to explain role of the auditor.</p>	<ul style="list-style-type: none"> <li>Solicit input from stakeholders at Relevance of Audit sessions on the best means of helping them understand the role of the auditor.</li> <li>Approve the plan for new material, if any, on the role of the auditor by the end of Q4.</li> </ul>

## Objectives C1, C2, and C3: Set and assist with the successful implementation of standards and guidance

In our 2016-2021 Strategic Plan, we recognized that 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 these services and those who rely on these services.

This strategic objective addresses:

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

The Annual Plan includes activities that enable us to continue to set high-quality standards for audits, and for engagements other than audits of historical financial information that respond to the needs of Canadian stakeholders. When it comes to implementing standards, we are considering areas where practitioners may face challenges. We continue to support the development of guidance to address those challenges and will support the development of training on new or revised standards.

We have a number of standards-related projects underway. Some of our projects are in conjunction with the IAASB, while others are Canada-specific. Details of these projects are on our website: [www.frascanada.ca](http://www.frascanada.ca). Our process related to adoption of International Standards on Auditing that become CASs includes monitoring and providing timely input to the IAASB based on their timetable. We do not control the timing of these projects, so the expected timing may change.

## C1. Audits of historical financial statements

Key Activities in 2018-2019	Targets
<b>New</b>	
We will consider the public interest implications of whether existing standards that use the term <i>listed entity</i> should instead use <i>reporting issuer</i> .	<ul style="list-style-type: none"> <li>Decide whether a project is needed.</li> <li>If needed, approve project proposal by end of Q1.</li> </ul>
<b>Continuing</b>	
We will progress several key standards projects relating to:	
Audit Evidence – revisions to CAS 500	CAS 500 – AASB provides Canadian perspective as this project evolves.
<u>Auditing Accounting Estimates</u> – revisions to CAS 540	CAS 540: <ul style="list-style-type: none"> <li>Issue standards according to normal due process.</li> <li>Plan for supporting implementation guidance in progress by end of Q4.</li> </ul>
<u>Auditor Reporting</u> – new CAS 701 and revisions to various CASs	CAS 701: <ul style="list-style-type: none"> <li>Revised CPA Canada auditor reporting guide issued according to planned timelines.</li> <li>New auditor reporting standards discussed in at least 3 outreach sessions during the year.</li> <li>Discuss implications of preliminary results of research into implementation of new auditor reporting standards in other jurisdictions by the end of Q3.</li> </ul>
Data Analytics	Data analytics – AASB provides Canadian perspective as this project evolves.
<u>Group Audits</u> – revisions to CAS 600	CAS 600 – AASB provides Canadian perspective as this project evolves.

Key Activities in 2018-2019	Targets
<u>Identifying and Assessing the Risks of Material Misstatement</u> – revisions to CAS 315	CAS 315 – Release an AASB exposure draft following the IAASB’s exposure draft on ISA 315.
<u>Quality Control</u> – revisions to CSQC 1 and CAS 220	CSQC 1 and CAS 220 – Issue an exposure draft following the release of the IAASB’s exposure draft on ISQC 1 and ISA 220.
We will pilot test proposed new standards with practitioners to enhance input to IAASB, including:	
Revisions to CAS 315	Pilot testing provides practical input on ISA 315.
Revisions to Quality Control standards (CSQC 1 and CAS 220)	Pilot testing provides practical input on ISQC 1 and ISA 220 proposals.

## C2. Engagements other than audits of financial statements

Key Activities in 2018-2019	Targets
<b>New</b>	
We will develop a plan and commence a pilot post-implementation review of Canadian Standard on Related Services (CSRS) 4460, <i>Reports on Supplementary Matters Arising from an Audit or Review Engagement</i> .	Report on issues identified in the post-implementation review in Q3 and Q4.
<b>Continuing</b>	
We will progress several key standards projects relating to:	
Agreed-upon Procedures – Issue an exposure draft following the release of the IAASB’s exposure draft on ISRS 4400	Agreed-upon Procedures – Issue an exposure draft following the release of the IAASB’s exposure draft on ISRS 4400.
<u>Auditor consents</u>	Auditor consents – Issue standard by end of Q3.
<u>Compilation engagements</u>	Compilation engagements – Issue an exposure draft in Q2.

Key Activities in 2018-2019	Targets
<u>Public sector auditing standards dealing with performance audits</u>	Public sector auditing standards: <ul style="list-style-type: none"> <li>• Approve and issue Guideline on <i>Reporting on Compliance with Specified Authorities for Transactions Coming to the Auditor's Notice during the Audit of Financial Statements</i> by end of Q1.</li> <li>• Issue an exposure draft for performance audits in the public sector under CSAE 3001 in Q3.</li> </ul>
<u>Reporting on controls at a service organization</u>	Reporting on controls at a service organization – Issue an exposure draft by the end of Q4.
We will continue outreach with practitioners from SMPs with a focus on the type of assurance or related services that may be needed, and we will identify current and future needs by digging deeper on issues addressed at the October 2016 and 2017 outreach sessions.	<ul style="list-style-type: none"> <li>• Outreach includes a minimum of 20 practitioners from small to medium-sized practices.</li> <li>• Positive survey results from outreach participants.</li> <li>• Input from outreach will be used to develop Annual Plan 2019-2020.</li> </ul>
We will continue to explore possible assurance on key performance indicators and non-GAAP measures.	Approve the plan for new material, if any, on the role of the auditor by the end of Q4.

### C3. Assisting with successful implementation

Key Activities in 2018-2019	Targets
<b>New</b>	
We will have staff support the development of a Train the Trainer session for provincial course content developers on a new or revised standard. This course development is led by CPA provincial bodies.	<ul style="list-style-type: none"> <li>• Train the Trainer session on one standard, with staff support, conducted by end of year.</li> </ul>
<b>Continuing</b>	

Key Activities in 2018-2019	Targets
<p>We will perform fatal-flaw reviews of standards-related guidance created by CPA Canada.</p>	<ul style="list-style-type: none"> <li>• Fatal-flaw comments from staff provided on a timely basis to CPA Canada.</li> <li>• Non-authoritative guidance is consistent with standards.</li> </ul>

## Appendix 1 – Assumptions Regarding Operating Procedures and Resources

This Appendix outlines key assumptions made in developing this Annual Plan. Should any of these assumptions change throughout the year, the AASB will revisit how that may impact the planned activities and targets.

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 on 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 their 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 recruit volunteers for task forces and advisory groups, as necessary.
- An AASB steering committee will continue to provide input on material presented to us in advance of the AASB meetings. Staff will also work directly with the committee on certain projects (e.g., the Strategic Plan implementation projects). This will limit the time needed by the full AASB for discussion. Only one or two updates on these projects to the full AASB will be necessary.
- A part-time AASB Chair is in place effective April 1, 2018. The new Chair began transitioning into the role in January 2018 and worked closely with the outgoing Chair and the current Director, Auditing and Assurance Standards to transition. This part-time Chair position allows for more time to be dedicated to AASB activities than a volunteer Chair position.
- Seven full-time Principals, 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.