



## Exposure Draft

### Auditing and Assurance Standards Board Proposed Canadian Auditing Standards

# Addressing Disclosures in the Audit of Financial Statements

June 2014

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**COMMENTS TO THE AASB MUST BE RECEIVED BY  
AUGUST 15, 2014**

**COMMENTS TO THE IAASB MUST BE RECEIVED BY  
SEPTEMBER 11, 2014**

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A PDF [response form](#) has been posted with this document to assist you in submitting your comments to the AASB. Alternatively, you may send comments via email (in Word format), to: [ed.assurancestds@cpacanada.ca](mailto:ed.assurancestds@cpacanada.ca) addressed to:

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Director, Auditing and Assurance Standards  
Auditing and Assurance Standards Board  
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Toronto ON M5V 3H2

This Exposure Draft reflects proposals made by the International Auditing and Assurance Standards Board that the Auditing and Assurance Standards Board (AASB) intends to adopt as Canadian generally accepted auditing standards.

Individuals and organizations are invited to send written comments on the Exposure Draft proposals. Comments are requested from those who agree with the Exposure Draft as well as from those who do not.

Comments are most helpful if they are related to a specific paragraph or group of paragraphs. Any comments that express disagreement with the proposals in the Exposure Draft should clearly explain the problem and include a suggested alternative, supported by specific reasoning. All comments received by the AASB will be available on the web site shortly after the comment deadline, unless confidentiality is requested. The request for confidentiality must be stated explicitly within the response.



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## Highlights

The Auditing and Assurance Standards Board (AASB) proposes, subject to comments received following exposure, to adopt with appropriate amendments, if any, the proposed changes to International Standards on Auditing (ISAs):

- ISA 200 (Revised), *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*;
- ISA 210 (Revised), *Agreeing the Terms of Audit Engagements*;
- ISA 240 (Revised), *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*;
- ISA 260 (Revised), *Communication with Those Charged with Governance*;
- ISA 300 (Revised), *Planning an Audit of Financial Statements*;
- ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*;
- ISA 320 (Revised), *Materiality in Planning and Performing an Audit*;
- ISA 330 (Revised), *The Auditor's Responses to Assessed Risks*;
- ISA 450 (Revised), *Evaluation of Misstatements Identified during the Audit*; and
- ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*,

issued by the International Auditing and Assurance Standards Board (IAASB). The result would be revised respective Canadian Auditing Standards (CASs).

This Exposure Draft consists of:

- a link to the IAASB's Exposure Draft, including its Explanatory Memorandum;
- a description of the AASB's process for adopting ISAs;
- a discussion of proposed significant Canadian amendments; and
- a proposed effective date.

Please review " <b>Comments requested</b> " on page ii for information on preparing your response to this Exposure Draft.
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### IAASB Exposure Draft

The IAASB's Exposure Draft, "[Addressing Disclosures in the Audit of Financial Statements](#)", is available on the IAASB's website.

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In addition to the text of the proposed revisions to the ISAs, the Exposure Draft includes an Explanatory Memorandum, which provides background to, and an explanation for, the proposed revisions to the extant ISAs.

### **Process for adopting ISAs**

In adopting the ISAs as CASs, the AASB issues as a Canadian exposure draft (or re-exposure draft), every IAASB exposure draft of a proposed ISA. However, in doing so, the AASB recognizes that it has a vital role to play in monitoring changes made by the IAASB to ensure that standards remain in the public interest and that adoption of an ISA is not automatic. The AASB follows amendment criteria set out in the Appendix that allow the AASB to make amendments in specific circumstances. Other key attributes of the process for adopting ISAs as CASs are set out below:

- The deadline for responding to a CAS exposure draft provides the time needed for the AASB to consider the responses of Canadian stakeholders in developing its response to an IAASB exposure draft.
- The AASB uses the same effective date for the CASs as the IAASB does for the ISAs.
- The AASB makes CASs available shortly after they are approved, so Canadian auditors can become familiar with them and prepare to implement them by the effective date.

### **Proposed significant Canadian amendments**

The AASB proposes no Canadian amendments to the proposed revised ISAs.

### **Proposed effective date**

The IAASB is proposing that the effective date for the revised ISAs be aligned with the effective date for the revisions arising from the auditor reporting project and the project to revise ISA 720, *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*. The revised ISAs are expected to be effective approximately 12 to 15 months after the issuance of the revised ISAs, the new and revised ISAs resulting from the auditor reporting and ISA 720 projects as final standards. The revised CASs would have the same effective date as the revised ISAs. Auditors will be permitted to apply these revised CASs before the effective date.

### **Comments requested**

Stakeholders are asked to provide comments on the IAASB's Exposure Draft directly to the IAASB, and provide the AASB with a copy of the response. The AASB will take these comments into account in drafting its own response to the IAASB's Exposure Draft. Respondents are asked not to include comments on matters particular to the

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Canadian environment in their responses to the IAASB. Such comments should be included only in responses sent to the AASB.

Please refer to the “Guide for Respondents” contained in the IAASB’s Exposure Draft and respond to the specific questions asked therein.

Stakeholders are asked to provide comments directly to the AASB on matters that the AASB should consider in finalizing the CASs and on whether they should include any Canadian amendment to the proposed revised ISAs. If you believe a Canadian amendment is needed, please describe its nature and extent. Any amendments proposed would need to meet the criteria set out in the Appendix.

The deadline for providing your comments to the AASB on the above is August 15, 2014.

Comments are most helpful if they are related to a specific paragraph or group of paragraphs. Any comments that express disagreement with the proposals in the Exposure Draft should clearly explain the problem and include a suggested alternative, supported by specific reasoning. When a respondent agrees with proposals in the Exposure Draft, it will be helpful for the AASB to be made aware of this view.

For your convenience, a PDF [response form](#) has been posted with this document. You can save the form both during and after its completion for future reference. Alternatively, written comments may be submitted by email (Word format preferred) to: [ed.assurancestds@cpacanada.ca](mailto:ed.assurancestds@cpacanada.ca)

## **Criteria for amending ISAs when adopting them as Canadian Auditing Standards**

With respect to the adoption of ISAs, the AASB's 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 makes amendments to ISAs:

1. The AASB limits additions to an ISA to those required to comply with Canadian legal and regulatory requirements.<sup>1</sup>
2. The AASB limits 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>1</sup> does not permit, or which require amendments to be consistent with law or regulation; and
  - (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 are highlighted in exposure drafts of proposed Canadian standards. The AASB indicates the reasoning for the amendments and respondents are 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 are separately identified in the final Handbook material.

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<sup>1</sup> Canadian incorporating and other governing legislation often requires 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.

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