



Auditing and Assurance
Standards Board

Annual Plan

April 1, 2019 – March 31, 2020

Table of Contents

Mission.....	4
Serving the public interest	4
Overview	5
Our strategy	5
Our plan to achieve the strategy	5
Technology	5
Small and medium-sized entities	6
Activities and Targets for 2019-2020.....	7
Maintain a globally respected Canadian standard-setting capability.....	8
Achieve a high level of stakeholder engagement	9
Set, and assist with the successful implementation of, standards and guidance.....	10
Audits of historical financial statements	10
Engagements other than audits of financial statements	11
Assist successful implementation	12
Monitoring for success.....	13
Appendix.....	14



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 AASOC is an independent, volunteer body established in 2002 to serve the public interest by overseeing and providing input into the activities of the AASB.

Mission

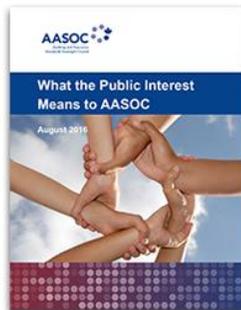
Our mission is to serve the public interest by setting standards and guidance and assisting in their implementation to enable the provision of high-quality, value-added and relevant auditing, other assurance and related services in Canada.

Serving the public interest

Canada's auditing and assurance standards board and oversight council operate in the public interest.

But what does that mean exactly?

Our Oversight Council clarified what the public interest means to them in their 2016 paper, "What the Public Interest Means to AASOC." They outline who their public are, what the interests of their public are, and how they assess whether an action, decision, or policy is in the public interest.



The public interest is an overriding consideration for all the AASB's activities.

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

We performed a risk assessment to assist in addressing the public interest considerations and to ground the work we do. Through monitoring developments in our environment related to audit and assurance standards, we determined which of those developments could pose a significant risk to achieving our plan and objectives. We then identified activities and actions that respond to those risks, so that we know when to change our standard-setting approach, and when the residual risk can be accepted.

See the [Appendix](#) for how we mapped the public interest considerations raised to the potential risks identified.

The activities included in this Annual Plan were planned to address these considerations and reduce the risks identified to an acceptable level.

Overview

Our strategy

Our [2016-2021 Strategic Plan](#) was designed to help us respond to significant developments in the environment in which auditing, other assurance and related services are performed.

As a result, we identified long-term strategic objectives that we believe are critical to achieving our mission.

- 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.

To remain relevant to Canadian stakeholders, while continuing to be effective in participating in and influencing international standards, we continue to monitor domestic and international developments in order to assess the effect on our Strategic and Annual Plans.

Our plan to achieve the strategy

This 2019-2020 Annual Plan is based on the vision, mission, and strategic objectives set out in our Strategic Plan.

This Annual Plan outlines the activities and targets we will accomplish in the fourth year of our Strategic Plan's life. We will also stand ready to re-prioritize when new issues or changes occur to our stakeholder's environments.

Two overriding themes that impact our planned activities and targets are the advancement in, and use of, technology; and the audit environment for small and medium-sized entities.

Technology

The impact of emerging technology is represented throughout this Annual Plan.

When it comes to **standards**...

- In following the ISA projects, we review materials to make sure each standard appropriately addresses technology.
- The Chair of the IAASB Data Analytics Working Group has agreed to take part in an AASB meeting in 2019 on current developments.
- We are an observer on the American Institute of Certified Public Accountant's project to revise its audit evidence standard.

When it comes to **emerging developments in assurance and related services...**

- We will continue our practice of inviting subject matter experts to educate us on current technology topics.
- We meet with regulators monthly and we observe CPA Canada's Information Technology Advisory Committee meetings to keep abreast of emerging technology, in particular crypto-assets, and how it may have an impact on standards and implementation guidance.
- We are establishing a discussion group jointly with CPA Canada to formulate opinions on audit issues related to crypto-assets. Participants include members of the largest accounting firms in Canada and the Canadian Public Accountability Board.

When it comes to **guidance...**

- We actively participate in the development of guidance relating to several emerging technologies, such as artificial intelligence in audit. We do this by participating in meetings on the subject and reviewing guidance that CPA Canada produces.

Small and medium-sized entities

A key principle of our audit standards is they apply to audits of all sizes and types of entities. We've heard concerns that this can be difficult in audits of small and medium-sized entities (SMEs), and so to address these concerns we are:

- asking questions on the scalability of the standards during the exposure period;
- performing outreach and consulting with practitioners who perform audit engagements of SMEs during the exposure of new and revised standards, and at other times during the year;
- consulting with CPA Canada on guidance to assist practitioners in implementing the standards, with a specific focus on small and medium-sized practices; and
- supporting Canadians involved in the IAASB's project on audits of less complex entities.

Activities and Targets for 2019-2020

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

In 2019-2020, we will continue to enhance our stakeholder engagements to:

- identify emerging issues;
- drive awareness of our priorities, standards projects, and other activities; and
- build relationships.

We also recognized that stakeholders need to have confidence that audits and 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.

Our strategic objectives address:

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

This 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.

We ask for **academic research** to be conducted, where appropriate, to obtain evidence-based information to inform our standard projects.

When it comes to implementing standards, we are considering areas where practitioners may face challenges by **asking questions early** in our consultation process. For example, a question on possible implementation challenges is included in every exposure draft we issue. We continue to support the **development of guidance** to address those challenges on a new or revised standard through consulting with CPA Canada.

We have several standards-related projects underway. Some of our projects are in conjunction with the IAASB, while others are Canadian specific. Our process related to the adoption of ISAs as CASs includes contributing timely input to the IAASB based on their timetable.

Maintain a globally respected Canadian standard-setting capability

Key Activities in 2019-2020	Targets
Continuing	
<p>Monitor, participate, and respond to international developments, including the Monitoring Group consultation on Strengthening the Governance and Oversight of the International Audit-Related Standard-Setting Boards in the Public Interest.</p>	<ul style="list-style-type: none"> Respond to the Monitoring Group white paper that is expected to be released in March 2019. Issue timely reports to AASOC throughout the year on public interest issues and concerns.
<p>Monitor the use of emerging technologies in financial reporting and audit by:</p> <ul style="list-style-type: none"> using subject matter experts to educate us on current topics; hosting regular meetings with regulators and relevant CPA Canada departments to keep informed on emerging assurance issues; participating in a pilot crypto-asset auditing discussion group to address audit issues arising from emerging technology; and consulting with CPA Canada working groups focused on assisting stakeholders in responding to emerging technology trends. 	<ul style="list-style-type: none"> Invite subject matter experts to educate the AASB on up to two emerging topics. Keep up to date on technology developments relating to audit and assurance standards and discuss at Board meetings or act when appropriate. Review the outcome of meetings to assess standards and guidance implications and whether the AASB needs to act.
<p>Maintain the framework to identify and respond to emerging developments in assurance and related services throughout the fiscal year.</p>	<ul style="list-style-type: none"> Identify and consider emerging developments that affect standard setting and implementation guidance in AASB's Annual Plan discussions.

Achieve a high level of stakeholder engagement

Key Activities in 2019-2020	Targets
New	
<p>Broaden Chair's engagement activities this year to include preparers and audit committee stakeholders.</p>	<ul style="list-style-type: none"> • Outreach in Western and Eastern Canada will include a minimum of 20 preparers and audit committee stakeholders.
Continuing	
<p>We will continue:</p> <ul style="list-style-type: none"> • reaching out to regulators, investors, and corporate directors regarding the relevance of audit; and • communicating with stakeholders about standards-related projects and implementation needs. 	<ul style="list-style-type: none"> • Complete a research initiative on exploring the value of assurance on information outside the financial statements, with a minimum of three multi-stakeholder teams. • Continue to participate in regular meetings of the Canadian Public Accountability Board, Canadian Securities Administrators, Office of the Superintendent of Financial Institutions, and provincial accounting bodies. • Attend performance audit consultation which will inform the work on the public sector auditing standards project. • Attend the Canadian Council of Legislative Auditors symposium for financial reporting.
<p>Continue to explore whether guidance or changes to standards are needed to facilitate practitioners providing assurance over information reported outside of the financial statements.</p>	<ul style="list-style-type: none"> • Consult with CPA Canada to develop guidance for stakeholders who provide assurance over information outside of the financial statements. • Consider the implications to the standards and propose plan for changes, if any.

Set, and assist with the successful implementation of, standards and guidance

Audits of historical financial statements

Key Activities in 2019-2020	Targets
New	
We will progress several key standards projects relating to the following:	
Audit Evidence – CAS 500	<ul style="list-style-type: none"> Provide Canadian perspective as this project evolves.
Audits of less complex entities	<ul style="list-style-type: none"> Submit response to IAASB discussion paper.
Continuing	
We will progress several key standards projects relating to the following:	
<u>Auditor Reporting</u> – research and conclusion on combined report/engagement partner name	<ul style="list-style-type: none"> Assess and support the activities of stakeholders to resolve the engagement partner name deferral. Conclude on whether we can design a combined report, including the engagement partner name, that would be accepted by the U.S. Public Company Accountability and Oversight Board and the Securities and Exchange Commission.
<u>Auditor Reporting</u> – revisions to scope of CAS 701	<ul style="list-style-type: none"> Issue revisions. Raise awareness of revised standard.
Auditor Reporting – post-implementation review (<u>PIR</u>)	<ul style="list-style-type: none"> IAASB indicated it will start a PIR on auditor reporting - specific milestones and targets to be developed when we have more info on the IAASB's plans.
Data Analytics	<ul style="list-style-type: none"> Provide Canadian perspective as this project evolves. IAASB member provides update to AASB.
<u>Group Audits</u> – revisions to CAS 600	<ul style="list-style-type: none"> Provide Canadian perspective as this project evolves.
<u>Identifying and Assessing the Risks of Material Misstatement</u> – revisions to CAS 315	<ul style="list-style-type: none"> Issue standards according to normal due process.

Key Activities in 2019-2020	Targets
	<ul style="list-style-type: none"> • Complete implementation risk analysis. • Support the development of implementation guidance.
<u>Quality Management</u> – revisions to CSQM 1 and CAS 220 and development of CSQM 2	<ul style="list-style-type: none"> • Issue standards according to normal due process. • Complete implementation risk analysis. • Support the development of implementation guidance.
Provide input on and influence the IAASB's strategy/workplan	<ul style="list-style-type: none"> • Provide Canadian perspective as this project evolves.

Engagements other than audits of financial statements

Key Activities in 2019-2020	Targets
New	
We will progress several key standards projects relating to the following:	
Public Sector Assurance over Budget Information	<ul style="list-style-type: none"> • Understand issues/topic, and nature and extent of guidance needed, if any.
Auditor reporting implications in the public sector	<ul style="list-style-type: none"> • Keep up to date on this topic and discuss at Board meetings or act when appropriate.
Continuing	
We will progress several key standards projects relating to the following:	
<u>Agreed-upon Procedures</u> – replace Sections 9100 and 9110 with CSRS 4400	<ul style="list-style-type: none"> • Approve standard. • Complete implementation risk analysis. • Support the development of implementation guidance.
<u>Compilation Engagements</u> – update Section 9200	<ul style="list-style-type: none"> • Issue standard. • Complete implementation risk analysis. • Support the development of implementation guidance.
Extended External Reporting	<ul style="list-style-type: none"> • Provide Canadian perspective as this project evolves. • Considering the IAASB approach, talk to stakeholders to find out the relevance of

Key Activities in 2019-2020	Targets
	this initiative in a Canadian context so we are positioned to respond appropriately to the planned international exposure draft.
<u>Public Sector Auditing Standards dealing with performance audits</u>	<ul style="list-style-type: none"> • Issue final handbook material. • Consider the need for implementation guidance.
<u>Reporting on Controls at a Service Organization</u> – update CSAE 3416	<ul style="list-style-type: none"> • Issue standard. • Complete implementation risk analysis. • Support the development of implementation guidance.
Complete the pilot PIR of Canadian Standard on Related Services (CSRS) 4460, Reports on Supplementary Matters Arising from an Audit or Review Engagement	<ul style="list-style-type: none"> • Report on issues identified. • Develop a plan to address any issues identified.

Assist successful implementation

Key Activities in 2019-2020	Targets
New	
Active participation with fellow national standard setters working together to strengthen our collaboration and influence on international standard setting.	<ul style="list-style-type: none"> • Discuss at Board meetings and act when appropriate.
Staff to support the development of a Train the Trainer session for CPA provincial body course content developers on new or revised standards	<ul style="list-style-type: none"> • Conduct a Train the Trainer session on one standard to start.
Continuing	
Perform fatal-flaw review of standards-related, non-authoritative guidance created by CPA Canada	<ul style="list-style-type: none"> • Provide fatal flaw comments from staff on a timely basis to CPA Canada. • Help to ensure non-authoritative guidance is consistent with standards.

Monitoring for success

We want to make sure we achieve what we set out to do. We monitor our progress toward achieving our Annual and Strategic Plans on an ongoing basis.

AASOC oversees our activities and assesses our performance against the objectives set out in our annual plans and our 2016-2021 Strategic Plan. This is done to ensure the effective, efficient, and economic fulfillment of our public interest mandate.

For a progress report on what we achieved last year, read our [2018-2019 Annual Report](#) set to be published in early 2019.

Appendix

Public Interest Considerations	Related Significant Risks
<p>1. The international standard-setting process is under review with potential implications for the ability of the AASB to influence the international agenda and continue to adopt international standards under its current approach.</p>	<p>The output of the Monitoring Group paper may lead to:</p> <ul style="list-style-type: none"> • questioning whether the AASB can continue to influence the international agenda; and • stakeholders questioning the AASB's ability to establish standards that respond to the needs of stakeholders.
<p>2. The standard-setting environment reflects the pace of change in the business environment generally. This puts pressure on standard setters to constantly consider ways to maintain and enhance their due process procedures and consider new processes to provide timely response to emerging issues.</p>	<ul style="list-style-type: none"> • Delays in progress of certain IAASB projects (group audits and data analytics) may result in stakeholders believing standards are not developed or revised on a timely basis. • Timely response to emerging issues requires continued access to sufficient translation resource capacity.
<p>3. Emerging technologies should be considered in the context of auditing and assurance standards.</p>	<p>Increasing use of technologies may lead to auditing and assurance standards not being fit for purpose in the current environment.</p>
<p>4. There continue to be expectation gaps between what stakeholders believe auditors do and what they actually do.</p>	<p>Users may believe practitioners have provided a higher level of assurance on certain reports or financial information than is actually provided by the practitioner's report.</p>
<p>5. Investors and others are increasingly using information other than audited financial statements to make their decisions. Stakeholders are questioning whether the role of the auditor should be expanded to address information outside the financial statements.</p>	<p>Relevance of audit may be questioned as investors and others use information other than audited financial statements to make their decisions.</p>
<p>6. There is continued support for the AASB to set high-quality domestic standards and to continue to adopt International Standards on Auditing and other IAASB</p>	<ul style="list-style-type: none"> • Continue to ensure that Board members have appropriate competencies for the planned projects / initiatives.

Public Interest Considerations	Related Significant Risks
<p>pronouncements that are fit for purpose in Canada.</p>	<ul style="list-style-type: none"> • Continue to ensure that resources are sufficient. • The CPA Canada Foresight project may have long term implications for the assurance profession.
<p>7. Despite their size, micro and small entities are significant to the global and Canadian economies. It is important that standards are scalable so that auditors of small and medium-sized entities can perform efficient and effective audits.</p>	<p>Practitioners may not be able to apply the auditing standards in a scalable way to audits of less complex entities, leading to ineffective or inefficient audits.</p>
<p>8. There is an increasing need for implementation guidance to support new and revised standards on a timely basis.</p>	<p>Practitioners may struggle to apply new and revised standards due to lack of implementation guidance issued on a timely basis.</p>



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