

# Strategic Plan

**Strategic Plan  
2013 - 2016**

prepared by:  
Auditing and Assurance Standards Board

# AASB

## **Abbreviations**

<b>AASOC</b>	Auditing and Assurance Standards Oversight Council
<b>AASB</b>	Auditing and Assurance Standards Board
<b>CAS</b>	Canadian Auditing Standard
<b>CICA</b>	Canadian Institute of Chartered Accountants
<b>CPAB</b>	Canadian Public Accountability Board
<b>CSA</b>	Canadian Securities Administrators
<b>GAAS</b>	Generally accepted auditing standards
<b>IAASB</b>	International Auditing and Assurance Standards Board
<b>ISA</b>	International Standard on Auditing
<b>ISQC</b>	International Standard on Quality Control
<b>Ordre</b>	Ordre des comptables professionnels agréés du Québec
<b>OSFI</b>	Office of the Superintendent of Financial Institutions
<b>PICA</b>	Provincial Institutes of Chartered Accountants
<b>PIOB</b>	Public Interest Oversight Board (International)

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## **Message from the Chair**

It is my pleasure to present this Strategic Plan of Canada's Auditing and Assurance Standards Board (AASB) for the period 2013-2016.

The AASB recognizes that it plays an important role in contributing to improving audit quality. Under this plan, the AASB will continue to focus on ensuring that high-quality standards and guidance meet the needs of Canadian stakeholders and on maintaining Canada's standard-setting capability. The AASB's key goal will remain the same as for 2010-13: continue to develop a new structure to the CICA Handbook – Assurance to promote consistency of the application of standards. This is a multi-year project now targeted for completion by March 31, 2016. Therefore, the major activity of the AASB for the next three years will continue to be to rewrite existing standards in the clarity format and make other revisions as appropriate.

Much of the Strategic Plan for 2013-2016 is unchanged from the Strategic Plan for 2010-2013. We believe that our plan responds to the needs of the current and anticipated environment and will provide clear direction as the AASB moves forward in the medium to long term.

As the AASB works on projects designed to achieve its goals, as set out in the Strategic Plan, we encourage all of our stakeholders to share your thoughts on our current activities and planned future activities. Comments can be sent through the "[Contact Us](#)" section of the Financial Reporting & Assurance Standards Canada website. We look forward to hearing from you.

Mark Davies, CIA, CPA, CA

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## Introduction

The Auditing and Assurance Standards Board (AASB) has developed this Strategic Plan to provide a basis on which to set its future direction and allocate its resources to appropriate activities. The plan is designed to help the AASB 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. The plan serves as a guide for the activities of the AASB over the next three years. However, the AASB will continue to monitor the environment to identify developments that may necessitate an adjustment to the plan. In particular, the current strategy and work program of the International Auditing and Assurance Standards Board (IAASB) covers the period to December 31, 2014 and will be updated during the period covered by the AASB's Strategic Plan. The AASB will consider the impact of changes the IAASB makes in its updated strategy and work program.

This Strategic Plan was developed based on the AASB's Strategic Planning Framework. The Framework includes the AASB's mission and vision, oversight of the AASB and identification of (and input from) its key stakeholders and is set out in Appendix 1.

The Strategic Plan is presented in two sections:

**Section one: Mission, vision and long-term goals** — sets out the AASB's long-term goals in meeting its mission and vision.

**Section two: Goals, objectives and related performance measures** — sets out the AASB's objectives to enable it to achieve its long-term goals. Also provided are related performance measures to assist the AASB in determining whether it is meeting those objectives.

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## Section one: Mission, vision and long-term goals

### Mission statement

**The AASB's mission is to serve the public interest by setting high-quality standards and guidance that enable the public accounting profession to provide effective auditing, other assurance and related services.**

### Vision statement

**Canada has a strong capability for setting high-quality standards for auditing, other assurance and related services that decision makers value.**

The AASB's mission reflects the fact that the AASB contributes to enhancing the quality of auditing, other assurance and related services. However, auditing and other assurance standards are only one of a number of factors that 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.

Accordingly, achieving the AASB's mission is subject to contributing factors outside the AASB's control. This Strategic Plan focuses on goals and objectives that are within the AASB's control and contribute to achieving its mission.

The AASB has identified two long-term goals that it believes are critical to it achieving its mission:

- (a) set high-quality standards and guidance that meet the needs of Canadian stakeholders; and
- (b) maintain a strong Canadian standard-setting capability to respond to the needs of Canadian stakeholders for standards.

## **A. Set high-quality standards and guidance that meet the needs of Canadian stakeholders**

### **Background**

In identifying this long-term goal, the AASB noted the following:

- (a) the need for high-quality standards in Canada; and
- (b) the impact of globalization on Canadian standard setting.

### **The need for high-quality standards in Canada**

Most legislation governing business incorporation in Canada recognizes the CICA Handbook – Assurance as the primary source of generally accepted auditing standards in Canada (GAAS) and that GAAS are set by the AASB. Therefore, legislators, regulators, investors and other stakeholders must have confidence that the standards in the Handbook are of high quality. To

be of high quality, standards must meet the needs of those who provide and rely on auditing and broad assurance services in:

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

The AASB believes that a strong service provider community will serve the public interest and understands that a wide range of service providers use the standards in the Handbook. Standards need to be easily interpreted and applied if they are to meet the needs of the provider community.

### **The impact of globalization on Canadian standard setting**

The globalization of financial markets in recent years has created a need for common worldwide standards in many areas of business and government — from accounting and auditing to regulation of securities markets and corporate governance. For standard setters today, convergence is a market-driven imperative — and the AASB’s standard-setting approach reflects its belief that Canada needs to make a concerted effort towards convergence with IAASB standards.

After extensive consultation with its stakeholders, the AASB commenced, and successfully completed in 2009, the adoption of all 36 International Standards on Auditing (ISAs) and one International Standard on Quality Control (ISQC) for audits of financial statements and other historical financial information. During the process of adoption, the AASB noted the following:

- the IAASB follows a rigorous and transparent due process that is subject to appropriate oversight;
- the IAASB’s standards are principles based using a format and terminology that is appropriate in a Canadian context;
- the AASB is able to provide meaningful and timely input to the IAASB on the IAASB’s proposed standards; and
- ISAs have been adopted or used as the basis of national standards in 126 jurisdictions around the world.

The AASB believes that the IAASB’s standards have become the high-quality standards used throughout the world in the public and private sectors. Because of this, the AASB believes that it is important to continue to support and participate in the future development of standards by the IAASB.

Nevertheless, the AASB also feels that it is important to be aware of initiatives undertaken by other organizations throughout the world. The AASB closely monitors a wide variety of organizations, including other standard setters, in order to assess the impact of their activities, if any, on the standards and activities of the IAASB and the AASB.

### **Meeting the needs of Canadian stakeholders**

The AASB identified the following key objectives to meet the needs of Canadian stakeholders:

- (a) standards for audits of financial statements that are based on ISAs;
- (b) other engagement standards that are responsive to specific Canadian needs;
- (c) a structure of the CICA Handbook – Assurance that promotes consistency of application, reflects practice and supports development of future standards; and
- (d) assistance for the development of implementation guidance on the application of standards.

### **Standards for audits of financial statements that are based on ISAs**

The AASB adopts ISAs and ISQCs as standards for audits of financial statements on the same timetable as the IAASB. The AASB has decided that adopting the international standards for audits of financial statements in Canada is in the public interest. The AASB monitors changes made by the IAASB to ensure that standards remain in the public interest. The AASB makes amendments to the standards that may affect how a practitioner performs an audit of financial statements only in circumstances that meet specific criteria. The amendment criteria allow the AASB to make limited amendments, for example, to meet national legislative requirements. When amendments are made, they are clearly identified in the standards. To date, very few amendments have been required in adopting ISAs as CASs. The criteria accompany every Canadian exposure draft of a standard that is based on an international standard. The criteria are also appended to the Preface to the CICA Handbook – Assurance. The criteria refer only to the adoption of ISAs, ISQCs and ISAEs since the AASB has not yet adopted other types of international standards, and are set out in Appendix 2 of this Strategic Plan.

The ISAs initially adopted by the AASB were those resulting from an extensive revision of ISAs by the IAASB, known as the Clarity Project, which was completed by the end of 2008.

### *Results of consultations*

In developing the Strategic Plan for 2010-2013, stakeholders of the AASB were asked whether there were any substantive reasons why the AASB should not continue with the adoption of ISAs in the future. There was very strong support from stakeholders for the AASB to continue with its objective of adopting ISAs in Canada. Consultations with stakeholders since that time indicate that stakeholders continue to support the AASB's decision.

### *AASB actions*

The AASB intends to continue to adopt ISAs according to its existing adoption process.

### **Other engagement standards are responsive to specific Canadian needs**

The AASB may undertake Canadian-only projects for other assurance engagements, such as reviews of financial statements and audits and reviews of non-financial information, and related services. The AASB also has the option to adopt a standard developed by the IAASB. With the completion of its Clarity Project in 2008, the IAASB began to turn more attention to engagement standards other than audits of financial statements. The AASB may also decide, on an individual project basis, to adopt a standard developed by the IAASB. When adopting a standard, the AASB considers whether the standard will be in the public interest, from a Canadian perspective, and whether any amendment needs to be made to address circumstances particular to the Canadian environment. As in the case of adopting standards for audits of

financial statements, the AASB only makes amendments that meet the criteria set out in Appendix 2.

Standards other than audits of financial statements cover a broad range of potential engagements. It is unlikely that international assurance standards will address all engagements that are of interest to Canada. In fact, in some instances, the AASB's focus may be on maintaining consistency on a North American basis rather than internationally. Therefore, there will likely be a need for Canadian standards for which there is either no international equivalent or which need to be adapted to the North American environment. Examples of this are the auditor's consent to the use of the auditor's report in connection with designated documents (when the AASB has developed a standard to address the auditor's responsibilities in connection with certain Canadian securities regulatory documents) and reporting to a third party (such as a regulator or funding body) on information supplementary to an assurance engagement.

Furthermore, the IAASB develops assurance engagement standards on information other than financial statements and other historical financial information using an overarching standard as a base. There are significant similarities between the Canadian and the IAASB overarching standards. However, the IAASB does not have some of the supporting standards that the AASB developed. Accordingly, at this time it is not possible for Canada to adopt into the CICA Handbook – Assurance international standards developed using the IAASB overarching standard as a base without making a number of amendments to reflect the existence of the Canadian supporting standards. Adoption of international standards on the same basis as the ISAs can only be achieved if Canada were to first adopt the IAASB's overarching standard. The IAASB is in the process of revising this standard and the AASB believes that it is not appropriate to adopt the existing overarching standard while revisions to it are in progress.

The AASB has concluded, therefore, that it cannot automatically adopt IAASB standards in the same manner that it adopted the ISAs. As a consequence, the AASB has developed an approach that it applies when it has identified a need for a Canadian project and the IAASB is undertaking a project to develop a relevant standard, or has an existing standard. In this situation, the AASB performs an assessment of the likelihood of the international standard meeting the needs of Canadian stakeholders, consistent with the public interest. In doing so, it does the following:

- Identifies the needs of stakeholders and how it would revise Canadian standards to address those needs.
- Considers the IAASB project, the issues it will address and the likely outcomes relative to the needs of Canadian stakeholders.
- Conducts an assessment of the IAASB project/standard using appropriate factors to assess the extent to which the existing or proposed IAASB standard contains features that would allow for adoption of the standard in Canada.
- Reaches a conclusion on the type of approach that is appropriate based on the best information available at the time and the analysis performed.
- Focuses on the information the AASB needs to make a decision on whether or not to adopt the IAASB standard – for example, analyzing key issues on the form and content of the standard, developing possible solutions to those issues that might address Canadian

concerns and possibly making wording suggestions to the IAASB. The work elements may also include considering issues unique to Canada and potential solutions to provide standards that could be followed in the event that the AASB decides to develop a unique Canadian standard.

#### *Results of consultations*

In 2009, stakeholders of the AASB were asked whether they agreed with this approach to adoption of IAASB standards for engagements other than audits of financial statements. Both at that time and in consultations since, stakeholders expressed strong support for the AASB's approach. While stakeholders see several benefits of moving to the same conceptual framework and consistent language and terminology as the IAASB, they believe that Canada must not do so blindly. The AASB's primary consideration in developing high-quality Canadian standards should be the needs of Canadian stakeholders and what is in their best interests. Stakeholders believe that the AASB's approach reflects this philosophy.

#### *AASB's actions*

The AASB intends to continue with this approach when setting standards for engagements other than audits of financial statements.

#### **The structure of the CICA Handbook – Assurance promotes consistency of application, reflects practice and supports development of future standards**

Setting high-quality standards involves more than setting individual standards. It also involves maintaining a body of standards that is internally consistent and based on a sound conceptual foundation. These features help practitioners understand and apply the standards in practice. They also help the AASB as it develops future standards.

The completion of the adoption of the ISAs has provided the AASB with the opportunity to consider whether the current structure of the body of auditing, other assurance and related services standards is appropriate for today's environment and for the future of standard setting.

The AASB has developed a proposed future structure for the Handbook, which is presented in Appendix 3. The AASB believes that this structure has the following important elements:

- It reflects how practitioners are using standards in practice. For example, by facilitating the development of a set of review engagement standards that stands on its own, without having to make reference to auditing standards, practitioners who primarily perform reviews and no audits would not have to learn both sets of standards.
- It facilitates the adoption of IAASB standards with minimal amendments where appropriate. For example, by having the same, or very similar, framework and overarching standards, the AASB would not have to make amendments to IAASB standards that it decides to adopt simply to accommodate those standards within the Handbook.
- It is based on a sound conceptual foundation. For example, by ensuring that concepts that are relevant to one engagement are applied to other similar engagements and ensuring that terminology describing a particular term is used consistently across all standards.
- It is flexible to accommodate future standards developments. For example, to permit the development by the AASB of Canadian-specific standards that respond to local needs.

### *Results of consultations*

In consultations held when the Strategic Plan for 2010-2013 was being developed, stakeholders of the AASB were asked whether the elements identified above are the appropriate ones to focus on in developing a revised structure of the body of standards. Stakeholders agreed that these are the most important features. They also emphasized the need to apply the clarified format used in the CASs to all Canadian standards and that any future structure should be stable for an extended period.

### *AASB's actions*

The AASB is using the proposed structure in Appendix 3 as a guide and will undertake projects to move towards this new structure. The timing for completion of the new structure is dependent on the timing of various projects being undertaken by the IAASB that are fundamental to the structure, but the AASB aims to have the new structure in place by March 31, 2016.

### **Assistance for the development of implementation guidance on the application of standards**

To date, the AASB has concentrated its efforts on setting clear standards and authoritative guidance rather than non-authoritative guidance. When adopting the ISAs, the AASB directed its staff to begin developing Basis for Conclusions documents that provide background to the exposure draft process, objectives of the project, significant matters arising from comments received in response to an exposure draft and the AASB's conclusions regarding these comments in developing the final standard. In addition, the AASB has encouraged AASB staff to support the development by the Canadian Institute of Chartered Accountants (CICA), provincial institutes of chartered accountants/ordre of chartered professional accountants and others of implementation guidance to assist practitioners implement new standards. However, the AASB itself has not been directly involved in developing such guidance.

### *Results of consultations*

In 2009, stakeholders of the AASB indicated that there is not only an urgent need for high-quality, timely implementation guidance to support the move to the CASs but also an ongoing need for such guidance for all new standards. Further, practitioners in certain business sectors are looking for implementation guidance specific to their circumstances, such as in audits of small and medium-sized entities and not-for-profit organizations. Stakeholders continue to urge the AASB to ensure high-quality implementation guidance is made available to practitioners.

While the AASB has not held further formal consultations with stakeholders on the issue of implementation guidance, the AASB continually tracks and responds to issues raised by stakeholders. For example, the AASB issued a [Message from the Chair](#) in 2011 addressing concerns raised with regard to auditing in emerging markets.

### *AASB's actions*

The AASB recognizes that effective implementation guidance is an important contributor to the performance of high-quality audits. Challenges arising on the practical implementation of a new standard may be indicative of problems with the underlying standard. However, they may also be reflective of the need for better educational and training tools that are beyond the remit of the AASB. The AASB has established a policy that it follows in determining when it is appropriate to be involved in developing or reviewing non-authoritative material.

## **B. Maintain a strong Canadian standard-setting capability to respond to the needs of Canadian stakeholders for standards**

A strong Canadian standard-setting capability is important in two particular contexts:

- (a) to respond to the needs of Canadian stakeholders in the domestic environment; and
- (b) to present a Canadian viewpoint at the international standard-setting table.

Domestically, a Canadian standard setter has 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. In some cases, IAASB standards may not address the specific circumstances of the Canadian environment, such as securities regulations, legislation, or the Canadian economy. The IAASB may not be addressing issues that are important to Canada, or not addressing them quickly enough. Similarly, the need for assurance services in Canada may evolve at a different pace or in different areas from those internationally. Finally, 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. A Canadian standard setter can fill these gaps.

A Canadian standard setter playing a vibrant and active role in Canada also has a role to play in international standard setting, for example by:

- encouraging talented Canadians to become involved in the IAASB's standard-setting process;
- conducting research that contributes to the evolution of the standards literature;
- working with other national standards setters to promote the understanding, acceptance and implementation of IAASB standards domestically;
- assisting with the technical agenda by participating in IAASB projects, and by informing the IAASB of Canadian issues, concerns and experience in resolving the issues and concerns encountered by the IAASB on its projects; and
- gathering input from Canadians to help the IAASB make an informed assessment of its priorities.

The AASB has a long history as the Canadian standard setter for auditing, other assurance and related services standards and guidance. It has developed a rigorous due process for the development of Canadian standards. The Auditing and Assurance Standards Oversight Council (AASOC) provides oversight of the AASB through an oversight framework to ensure the credibility of the AASB's due process and to ensure that the AASB follows its due process. The AASB has a strong relationship with the IAASB. Several Canadians previously involved in Canadian standard setting now play important roles at the IAASB and with IAASB staff. The AASB has a close working relationship with the Canadian IAASB member nominated by the CICA. The AASB believes that maintaining its existing strong standard-setting capability is essential to maintaining the confidence of stakeholders, including regulators and the general public, in the services provided by service providers in Canada.

### *Results of consultations*

Both in the past and present, stakeholders of the AASB have indicated strong support for the AASB maintaining its standard-setting role. In 2009, stakeholders stated that the AASB should consider enhancing its due process and communications activities in two key areas:

(a) When developing new standards:

- consider different means of obtaining input from stakeholders to enhance the input the AASB receives on its proposals;
- provide more information accompanying proposed new standards to assist stakeholders in understanding the costs and benefits of the new standards, the underlying rationale in developing the standards and the implications of the new standards for affected stakeholders, including company directors and audit committees; and
- give more recognition to the needs of smaller practitioners in implementing complex standards.

(b) Undertake communications initiatives to:

- assist users in understanding the implications for them of the move to the CASs;
- better explain to users the purpose and importance of certain communications arising from engagements;
- better explain, in layman's terms, the differences between an audit, a review and a compilation engagement; and
- assist practice inspectors in understanding the intent of standards when there is an apparent disconnect between what practitioners believe the standard requires and what inspectors believe it requires.

### *AASB's actions*

The AASB made changes to its due process, including the development of a communications plan as a result of stakeholder comments in 2009. On an ongoing basis, the AASB considers what improvements it can make to its due processes.

## Section two: Goals, objectives and related performance measures

This summary presents the AASB’s long-term goals, objectives and performance measures, stated in order of priority.

<b>Goal A: Set high-quality standards and guidance that meet the needs of Canadian stakeholders</b>		<b>Goal B: Maintain a strong Canadian standard-setting capability to respond to the needs of Canadian stakeholders for standards</b>	
<b>Objectives</b>	<b>Performance Measures</b>	<b>Objectives</b>	<b>Performance Measures</b>
<b>A1</b> Standards for audits of financial statements and other historical financial information are based on the International Standards on Auditing issued by the IAASB with limited amendments made in accordance with rigorous criteria.	Follow the AASB’s established due process for all IAASB ISA projects and issue a final CAS within three months of issuance by the IAASB of any new or revised ISA during the strategic planning period.	<b>B1</b> The AASB’s standard-setting due process results in standards that are in the public interest.	Receive AASOC’s confirmation that due process has been followed prior to issuing all final standards.
<b>A2</b> Other standards are responsive to specifically identified needs of Canadian stakeholders.	Complete highest priority projects set out in annual operating plans by planned completion dates.	<b>B2</b> Stakeholders are informed about and have sufficient opportunity to contribute to the standard-setting process.	<p>The website is updated according to agreed process guidelines:</p> <ul style="list-style-type: none"> <li>• documents for comment – on issuance;</li> <li>• response letters – within two weeks of the response deadline;</li> <li>• operating plan – quarterly;</li> <li>• finalization of standards/BFCs/plans – within two weeks of final translation; and</li> </ul> <p>Email alerts are sent to key stakeholders within two weeks of important communications.</p> <p>Document response periods – ordinarily at least 90 days.</p>
<b>A3</b> The structure of the CICA Handbook – Assurance promotes consistency of application of the standards, reflects how they are used in practice, and supports their future development.	Establish an operating plan such that the new structure will be in place by March 31, 2016.	<b>B3</b> The AASB maintains Canada’s influence at the IAASB.	<p>Attend annual National Standard Setter meeting; volunteer to participate on one IAASB initiative coming out of the meeting.</p> <p>Place Canadian resources on new IAASB standards projects that are critical to the Canadian environment as measured by the AASB.</p> <p>Provide an AASB response to all IAASB documents for comment.</p> <p>Obtain “above average” assessment rating from the IAASB (e.g., Chair, selected members and</p>

			IAASB technical staff), annually, as to the AASB's contribution to IAASB activities, including responses to IAASB exposure drafts.
<b>A4</b> The AASB assists the development of implementation guidance that promotes the consistent and appropriate application of standards.	Follow the AASB's established policy.	<b>B4</b> The AASB promotes the understanding and acceptance of new standards by key stakeholders.	<p>Follow the AASB's established communications plan.</p> <p>AASB Chair and/or AASB staff meets at least once a year with each of the following key stakeholders:</p> <ul style="list-style-type: none"> <li>• Canadian Council of Legislative Auditors;</li> <li>• Canadian Securities Regulators;</li> <li>• Canadian Public Accountability Board;</li> <li>• Provincial institutes of chartered accountants/ordre of chartered professional accountants; and</li> <li>• CICA groups.</li> </ul>

## **Appendix 1: Strategic Planning Framework**

The AASB's Strategic Planning Framework includes its mission and vision, oversight of the AASB and identification of its key stakeholders.

### **Mission statement**

**The AASB's mission is to serve the public interest by setting high-quality standards and guidance that enable the public accounting profession to provide effective auditing, other assurance and related services.**

### **Vision statement**

**Canada has a strong capability for setting high-quality standards for auditing, other assurance and related services that decision makers value.**

### **Oversight of the AASB**

The Auditing and Assurance Standards Oversight Council (AASOC) is an independent body established to serve the public interest by overseeing the activities of the AASB. The AASB sets the standards for auditing, other assurance and related services in Canada. The AASOC provides oversight to the AASB and brings a broad perspective to the complex issues that need to be considered in standard setting.

Members of the AASOC comprise senior representatives from public interest bodies (including the Canadian Securities Administrators (CSA), the Office of the Superintendent of Financial Institutions (OSFI), the Canadian Public Accountability Board (CPAB), and the international Public Interest Oversight Board (PIOB), as well as other prominent members of the community. Further details about the AASOC and its role and responsibilities may be found at [www.aasoc.ca](http://www.aasoc.ca).

The AASOC has approved an oversight framework to ensure:

- the credibility of the AASB's due process for setting standards for auditing, other assurance and related services; and
- that the AASB follows its due process in setting standards.

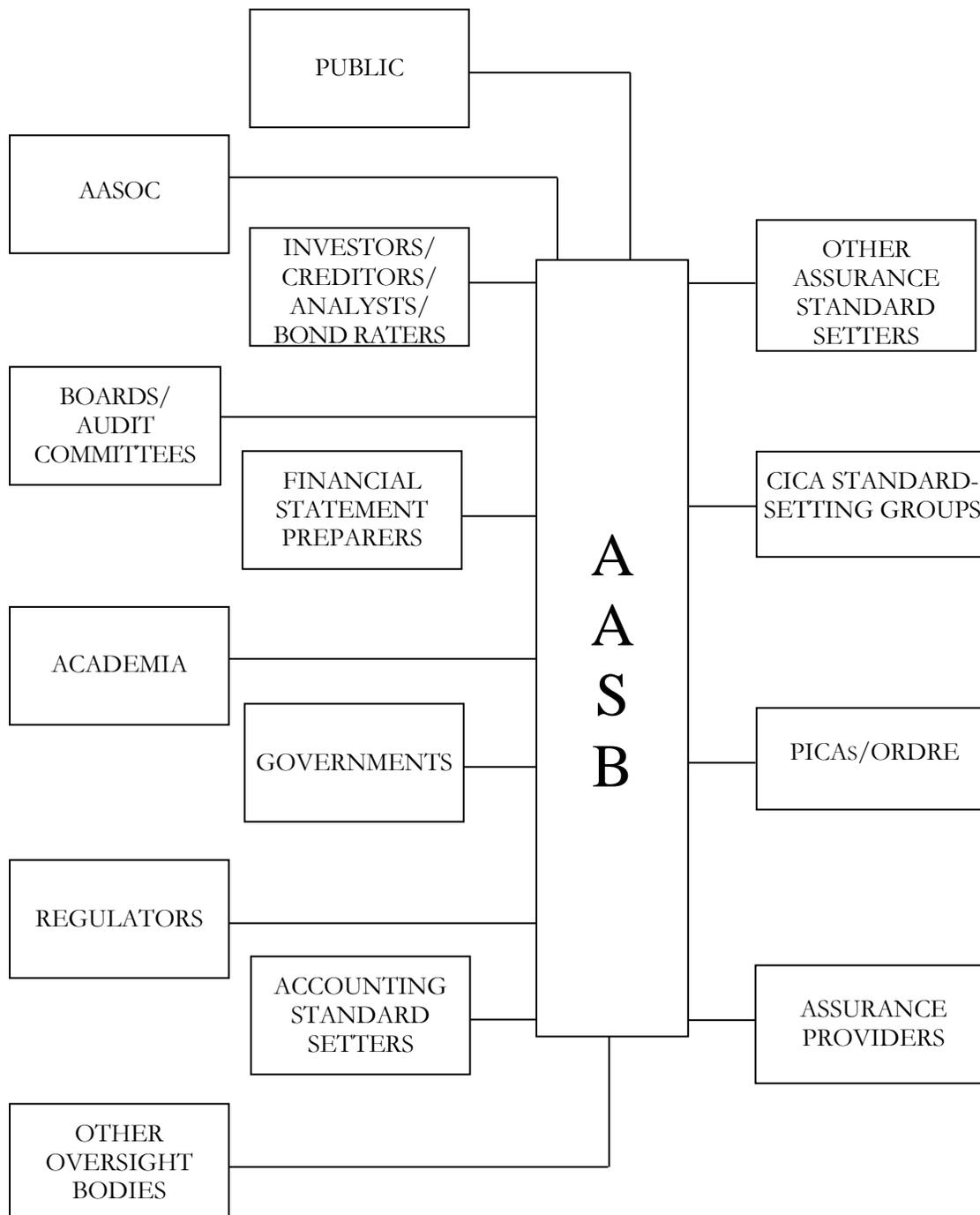
As part of this oversight framework, the AASOC reviews the AASB's strategic planning process and publicly documents whether, in the AASOC's opinion, the process was credible.

## AASB stakeholders

The AASB has identified those stakeholders who are affected by its activities.

The following graphic shows AASB stakeholders in the public and private sectors, defined as those who significantly affect, and/or are significantly affected by, AASB activities.

Stakeholders are divided into two groups: those inside the profession and those outside.



## 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.

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<sup>1</sup> 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.

<sup>2</sup> 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.

## Appendix 3: Proposed Future Structure of the CICA Handbook – Assurance

