



CANADIAN PUBLIC ACCOUNTABILITY BOARD  
CONSEIL CANADIEN SUR LA REDDITION DE COMPTES

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September 22, 2015

Eric Turner  
Director, Auditing and Assurance Standards Board  
277 Wellington Street West  
Toronto, ON M5V 3H2

Dear Eric:

**Re: Invitation to Comment – Implementation Considerations for New Auditor Reporting Standards**

The Canadian Public Accountability Board (CPAB) is pleased to respond to the Invitation to Comment on the Auditing and Assurance Standards Board (AASB)'s "Implementation considerations for New Auditor Reporting Standards".

CPAB is Canada's independent audit regulator responsible for overseeing firms that audit Canadian reporting issuers. Our mandate is to promote high quality independent auditing that contributes to public confidence in the integrity of reporting issuers' financial reporting. We accomplish our mandate by inspecting audit firms and audit working paper files which provides us with insights into the application of auditing standards and how they might be improved.

**Overall Comments**

In general, we support the use of a single set of high quality auditing standards that are used by auditors across the world. This view is consistent with the AASB's current strategy to adopt the International Standards on Auditing as issued by the International Auditing and Assurance Standards Board (IAASB). However, we believe it is important to consider any Canadian specific circumstances that would warrant a different approach or amendments to the IAASB's final standard.

We believe the issuance of this Invitation to Comment is important to ensure the implementation of the new auditor reporting standards is successful. We believe the AASB should consult with stakeholders that may be impacted by this standard but have not traditionally been involved in providing comments on proposed auditing standards, specifically audit committees, investors and other users of the audited financial statements.

To date we have heard a number of concerns from several of these stakeholders including concerns over the auditor providing new information that would normally be the responsibility of management, the risk of the auditor providing boilerplate disclosures in the audit report, and the overall cost and benefit of the expanded reporting. It will be important for the AASB to understand the concerns of these stakeholders to ensure the implementation is most effective and supported by a broad range of stakeholders.

### **Delayed effective date to support an effective implementation**

The effective implementation of the new auditor reporting standards will require the engagement and involvement of a number of different stakeholders including audit firms, audit committees, regulators and other stakeholders. Many of these stakeholders have had limited involvement in this topic to date.

Accordingly we support a delay in the effective date of this standard to provide sufficient time for stakeholders to understand their role and take appropriate actions to support a successful implementation. We have also heard from stakeholders a desire to align the implementation date with any similar changes to auditing standards for companies listed in the United States as issued by the Public Company Accounting Oversight Board (PCAOB).

Audit firms and the AASB should consider how they can effectively implement changes and use the additional time provided by the deferral to have practical discussions with stakeholders, with a focus on audit committees and preparers.

We also believe it is important for the AASB to engage with investors and other users of the auditor's report to ensure their views are understood in developing a plan to implement these standards.

### **Phased implementation**

We support the AASB's proposal to apply the reporting of key audit matters initially to only the larger listed entities. We believe this is a sound approach as it will allow audit firms and other stakeholders, specifically audit committees and preparers, to focus on a high quality implementation for a smaller number of entities where there is a greater public interest.

### **Relevance to users of auditor's reports issued for smaller listed entities**

We also believe the AASB should carefully consider whether the reporting of key audit matters will be relevant to investors and other users of the financial statements of smaller listed entities. Specific consideration is needed to evaluate whether the costs of implementation exceeds the benefit for these smaller entities, specifically those entities in a development stage with no or limited operations and/or with a limited number of unrelated, public shareholders. Entities such as these could include many of the smaller listed companies that are engaged solely in exploration for oil and gas or other commodities where a user's primary source of information may not be based on information disclosed in the annual audited financial statements or auditor's report.

We would be pleased to discuss further any of the above comments.

Yours very truly,



Brian Hunt, FCPA, FCA, ICD.D  
Chief Executive Officer

cc. Mrs. Cathy MacGregor, CPA, CA  
Chair, Auditing and Assurance Standards Board (Canada)