



**Message from the Chair of the  
Auditing and Assurance Standards Board (AASB)  
Regarding the Adoption of International Standards on Auditing  
as Canadian Auditing Standards**

March 24, 2009

I am writing to update you on the AASB's progress in adopting the International Standards on Auditing (ISAs) as Canadian Auditing Standards (CASs) and related matters. This includes information on:

- the status of CAS approvals;
- the effective date of the CASs;
- the effective date of the Canadian Standard on Quality Control, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements*, (CSQC 1) and other matters related to that standard;
- planned timing of release, and content of, the new CICA Handbook – Assurance; and
- assistance to auditors in implementing the new standards.

I believe all of this information is very important for auditors. But perhaps the most important message is that existing Canadian generally accepted auditing standards (GAAS) will be replaced by the CASs for audits of financial statements for periods ending on or after December 14, 2010.

**Status of CAS approvals**

The IAASB recently announced the completion of its project to clarify its 36 ISAs and its international standard on quality Control for firms (ISQC 1) to make them significantly easier to understand and use. The AASB is adopting all the clarified ISAs as CASs and ISQC 1 as CSQC 1.

To date, the AASB has approved 35 CASs and CSQC 1. The Auditing and Assurance Standards Oversight Council (AASOC) is currently in the process of performing its review to ensure that due process has been followed in developing the CASs. .

The only CAS remaining to be approved is CAS 210, *Agreeing the Terms of Audit Engagements*. In early March 2009, the AASB issued a Re-exposure Draft of proposed CAS 210 (with an April 15, 2009 response deadline) to ask stakeholders for input on two issues. The first issue relates to a proposal that an “other matter” paragraph not be required when financial statements are prepared using an acceptable general purpose financial reporting framework that is other than Canadian GAAP. The second issue

relates to a proposed amendment of the wording of ISA 210 to deal with assessing, in a Canadian context, the acceptability of financial reporting frameworks other than Canadian GAAP. After taking into account responses to the Re-exposure Draft, the AASB will finalize CAS 210 later this spring.

The approved CASs contain very few amendments from the wording of the ISAs. One example of an amendment is that references to the IFAC Code of Ethics for Professional Accountants in the ISAs have been replaced with references to relevant independence and other ethical requirements set out in the rules of professional conduct/code of ethics applicable to the practice of public accounting issued by various professional accounting bodies. The reason for this change is that rules of professional conduct/codes of ethics applicable to public accountants in Canada may differ from the IFAC code. The Preface to the CICA Handbook – Assurance describes all non-trivial changes made to the wording in the ISAs or ISQC 1 in adopting them for use in Canada.

The approved CASs, once translated into French, are being made available in the CICA Standards and Guidance Collection.

### **Effective date for CASs**

The clarified ISAs are effective for periods beginning on or after December 15, 2009. The AASB has decided that the CASs should have this same effective date except for audits of financial statements for “stub periods” in 2010. The AASB is concerned that auditors engaged to audit financial statements for a stub period in 2010 (for example, for the three months ended March 31, 2010), would be forced to apply the CASs earlier than intended, and before being fully prepared to do so. Therefore, at its meeting in January 2009, the AASB decided that the effective date for the CASs should be for audits of financial statements for periods ending on or after December 14, 2010. The AASB’s clarification of the effective dates does not change the AASB’s position that audits of financial statements for the year ended December 31, 2010 must be performed in accordance with the CASs.

The AASB has also decided that implementation of the CASs before their effective date would not be appropriate. It is important, for example, for legal and practice inspection purposes, that it be very clear which set of standards is in effect. However, an auditor may decide to implement aspects of the new CASs before their effective date as long as the auditor ensures that he or she continues to comply with the current set of auditing standards.

### **Effective date of CSQC 1 and other matters related to that standard**

CSQC 1 will replace GSF-QC, *General Standards of Quality Control for Firms Performing Assurance Engagements*. Firms that provide assurance services will be required to update their system of quality control in compliance with CSQC 1 by December 15, 2009. A firm’s updated system of quality control needs to be implemented on a timely basis to properly support the application of the CASs, that, as noted above, come into effect for periods ending on or after December 14, 2010.

In March 2009, AASB staff issued a *Risk Alert*, “[New Quality Control Standard for Firms](#).” This *Risk Alert* discusses two significant differences between the requirements of CSQC 1 and GSF-QC that relate to:

- (a) the timing of completion of engagement quality control reviews; and
- (b) who can perform inspections of completed engagements.

This *Risk Alert* also provides information on how the two standards compare regarding rotation of senior personnel on an engagement, and timing of inspection of completed engagements.

**Planned timing of release, and content of, the new CICA Handbook – Assurance**

The CICA Handbook – Assurance containing a new Preface, CASs and CSQC 1, in English and French, will be released in early summer 2009. Conforming changes will be made to other retained standards, such as:

- (a) changes required to address references from retained standards to the CASs; and
- (b) changes to standards that currently apply to all assurance engagements (Sections 5025, *Assurance Standards*, 5030, *Quality Control Standards for Assurance Engagements*, 5049, *Use of Specialists in Assurance Engagements*, and 5050, *Using the Work of Internal Audit*) to narrow their scope so that they apply only to assurance engagements other than audits of financial statements and other historical financial information.

**Assistance to auditors in implementing the new standards**

To learn more about the transition to Canadian Auditing Standards and to access free resources, visit [www.cica.ca/cas](http://www.cica.ca/cas).

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