



Message from the Chair

Moving Forward on New Auditor Reporting and Other Standards

November 2016

I am writing to update you on the progress we are making towards adopting certain International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB) as Canadian Auditing Standards (CASs). The ISAs deal with auditor reporting and other standards to address disclosures in the audit of financial statements and responsibilities relating to other information.

Auditor Reporting Standards

Auditor reporting is an important component of the new standards and affects all auditors' reports. The increased transparency from significant changes to the form and content of the report is expected to benefit users of auditors' reports for all entities. In addition, ISAs will also require that auditors of listed entities communicate key audit matters — those matters that, in the auditor's judgment, were of most significance in the audit.

In June 2015, we issued an Invitation to Comment related to implementation considerations of the new auditor reporting proposals. Respondents to the Invitation to Comment expressed a strong view that we should consider the direction and timing of the U.S. Public Company Accounting Oversight Board's proposed auditor reporting standards before finalizing the Canadian standards due to the close integration of the Canadian and U.S. capital markets. Respondents also recommended that we carefully consider whether reporting of key audit matters is appropriate for all types of listed entities in Canada. We agreed with this feedback.

We expect that key audit matter reporting will first be required for audits of entities listed on the Toronto Stock Exchange.

We are still considering whether key audit matter reporting should be required for audits of other listed entities. We intend to conduct research on this topic with a view to making a decision within 18 months of the date when this reporting becomes effective for Toronto Stock Exchange listed entities. This research includes examining the experience of jurisdictions that will be implementing the new auditor reporting standards before Canada to understand their experience, particularly with key audit matter reporting for smaller listed entities.

Other Standards

Other standards that will apply to all audits comprise:

- requirements and application material addressing the audit of financial statement disclosures; and
- a revised standard dealing with the auditor's responsibilities relating to other information.

Timing of Approval and Effective Date of the New Standards

The latest information available indicates that the U.S. standard-setting process should be complete early in 2017. We expect to be in a position to determine the impact of the U.S. standards in Canada and approve the CASs for auditor reporting and other standards in the spring of 2017. We currently do not anticipate making the CASs effective prior to periods ending on or after December 15, 2018.

The IAASB's effective date for these standards is for periods ending on or after December 15, 2016. Accordingly, auditors conducting audits of financial statements in accordance with the CASs for periods ending on or after December 15, 2016 should not represent compliance with the ISAs unless they have complied with the respective ISAs issued by the IAASB, which have yet to be adopted in Canada.

Supporting the New Standards

We are working with CPA Canada and other groups to assist with the effective implementation of the new standards through a broad range of communications, tools and guidance materials for stakeholders.

We are developing plans to monitor the implementation of auditor reporting standards in addition to the post-implementation review that the IAASB is scheduled to conduct. Our monitoring will also review experience gained in Canada by those who early apply the standards, as well as those who apply this reporting voluntarily. Our work is important in assessing the reactions of users of auditors' reports to this new level of reporting transparency.

More Information

More details about the auditor reporting and other standards are available [online](#).

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