

Response to the IFAC Part 2, SMO Self-Assessment Questionnaire

Member Name: Canadian Institute of Chartered Accountants

Country: Canada

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Disclaimer: Please refer to the Disclaimer published on IFAC's website about this assessment.

Number	Question Title/Text/Help text	Answer	Comments
IFAC Part 2 SMO Self-Assessment			
1.	SMO 1		
1.1.	Quality Assurance Program		
1.1.1.	<i>Quality Assurance Review Program</i> In your jurisdiction is there a mandatory quality assurance review program in place for members of your organization performing audits of financial statements of listed companies?	1 <input checked="" type="radio"/> Yes 2 <input type="radio"/> No	See also the comment provided with respect to question 1.2.1 for important information about the CICA's responses about the quality assurance review program applicable to Canadian Chartered Accountants.
1.2.	Responsibility for Quality Assurance - Overview		
1.2.1.	<i>Responsibility for Quality Assurance</i> Within your jurisdiction, is your organization responsible for monitoring the quality of the work of your members performing audits of financial statements? Select the answer option that is most appropriate.	1 <input type="radio"/> Yes - for all audits of financial statements	The CICA, as the Canadian CA profession's member body of IFAC, has decided to answer question 1.2.1 in SMO 1 "shares responsibility for the quality assurance program with another body" although this technically is not correct. CICA has answered in this fashion because it believes that by so doing and, where appropriate,

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			<p>by providing detailed comments as it answers the questions which follow, it will provide users of this document with a clearer picture of the quality assurance regime that applies to Canadian Chartered Accountants.</p> <p>All Chartered Accountants in public practice are subject to inspection established by the Provincial Institutes/Ordre of Chartered Accountants (PICAs/Ordre). Chartered Accountants who audit reporting entities are also subject to a highly detailed inspection program conducted by the Canadian Public Accountability Board (CPAB). (As well, Canadian CAs who are the auditors of reporting entities that are subject to the U.S. Sarbanes-Oxley legislation, are also jointly inspected by CPAB and the U.S. Public Company Accounting Oversight Board (PCAOB).)</p> <p>CPAB's programs are coordinated to avoid duplication and ensure efficiency and effectiveness. However, solely for the purposes of providing answers for this questionnaire, the CICA will respond as though it, rather than the PICAs/Ordre, was responsible for the PICAs/Ordre practice inspection regime for members. To provide greater detail where this appears useful, the CICA will attempt to provide information specific to the four largest PICAs/Ordre. The largest PICAs/Ordre are those</p>

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			<p>in Ontario, Quebec, British Columbia and Alberta.</p> <p>Chartered Accountants in Canada must be members in good standing of at least one PICA/Ordre, thereby becoming a member of the federal body, CICA. As noted above, the PICAs/Ordre are responsible for the practice inspection program for Chartered Accountants who perform audits or other services for non-public companies and, pursuant to memoranda of understanding (MOUs) with CPAB for CAs in smaller firms that perform audits of public companies.</p> <p>The PICAs/Ordre derive their powers, including the power to conduct inspections, from a provincial statute in their jurisdiction.</p> <p>CPAB was created in 2002 through the collaboration of the Canadian Securities Administrators, the Office of the Superintendent of Financial Institutions, the CICA and the PICAs/Ordre. It is an independent, not-for-profit organization. CPAB's authority with respect to monitoring the quality of audits of public companies (including an inspection program) is contractual in nature. However, each Canadian securities regulator (through their cooperative work using the Canadian Securities</p>

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			<p>Administrators forum), through Instrument 52-108 requires that the financial statements of reporting entities be audited by firms registered and in good standing with CPAB.</p> <p>CPAB carries out its mission by conducting inspections of the firms over which it has oversight responsibility. Firms with 50 or more reporting issuer clients are inspected annually while those with less than 50 are inspected on a three-year cycle.</p> <p>(Note that CPAB has recently confirmed that it will be amending its Rule 403 that deals with the frequency of inspections for firms with 50 or more reporting issuer clients. The revised Rule will read: "A participating audit firm that, during a calendar year, issued audit reports with respect to 100 or more reporting issuers shall be subject to a regular Inspection in the following calendar year. A participating audit firm that, during a calendar year, issued audit reports with respect to 50-99 reporting issuers shall be subject to at least one regular Inspection during the following two calendar years, with the timing and number of such Inspection or Inspections to be determined by the Board's staff.")</p> <p>Practice Review's mandate is to inspect a cross-section of work under the responsibility of each</p>

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		<p data-bbox="884 878 1241 1352"> <input type="radio"/> 2 Yes - for all audits except those of listed entities <input checked="" type="radio"/> 3 Our organization shares responsibility for the quality assurance program with another body <input type="radio"/> 4 No, responsibility for quality assurance for all audits rests with another body <input type="radio"/> 5 Other (please describe) <input type="radio"/> 6 Not applicable - no </p>	<p data-bbox="1268 329 1871 427">partner in each licensed firm or practice. Practice Review relies on CPAB where the CPAB work overlaps the Practice Review mandate.</p> <p data-bbox="1268 467 1871 841">Although CICA has answered Yes that "Our organization shares responsibility for the quality assurance program with another body," the word "shares" is not entirely accurate. For example, in Quebec the Ordre des comptables agrees de Quebec cannot "share" its responsibility in this area since the responsibility is enshrined in provincial legislation, the Code des professions, and cannot be delegated. However, the Ordre is currently seeking an amendment to the Code to provide for an exchange of information.</p>

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		members of our organization perform audits of listed entities	
1.2.6.	<p><i>Quality Assurance (Member Body) All Audits - Scope</i></p> <p>What types of engagements are included in the scope of the quality assurance review program? Select all the answer options that are appropriate.</p>	<p>1 <input checked="" type="checkbox"/> Financial statement audit - listed entities (minimum requirement)</p> <p>2 <input checked="" type="checkbox"/> Financial statement audit - audit of other than listed entities</p> <p>3 <input checked="" type="checkbox"/> Other services (e.g., review, compilation)</p> <p>4 <input type="checkbox"/> Insolvency</p> <p>5 <input checked="" type="checkbox"/> Other (please specify)</p>	<p>Other:</p> <p>In British Columbia: taxation services, FOFI, special reports, Eldercare</p> <p>In Alberta: business valuation documentation, tax management practices</p> <p>In Quebec: business valuations, forensic accounting, financial planning and limited taxation</p>
1.4.	Member - Benchmarking		
1.4.1.	Quality Control Standards and Guidance		
1.4.1.1.	<p><i>Quality Control Standards</i></p> <p>Has your organization established and published quality control standards requiring firms to implement a system</p>	1 <input checked="" type="radio"/> Yes	The Canadian Institute of Chartered Accountants Handbook sets out general standards of quality control for firms performing assurance

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	of quality control in accordance with International Standard on Quality Control 1?	2○ No	engagements which parallel the International Standard on Quality Control 1
1.4.1.3.	<i>Quality Control Standards - Name</i> State the name of the relevant quality control standards.	GSF-QC: General Standards of Quality Control for Firms Performing Assurance Engagements & Section 5030 of Volume 1 of the CICA Handbook - Assurance: Quality Control Procedures for Assurance Engagements	
1.4.1.4.	<i>Other Quality Control Guidance</i> Has your organization established and published other quality control guidance to assist your members to understand the objectives of quality control and to implement and maintain appropriate systems of quality control?	1⊙ Yes 2○ No	
1.4.1.5.	<i>Other Quality Control Guidance - Name</i> State the name of the other quality control guidance.	Quality Assurance Manual and courses.	The Quality Assurance Manual is published by the CICA.
1.4.2.	Design of the Quality Assurance Review Program		

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1.4.2.1.	<p><i>Subject of the QA Review Program</i> Who is the subject of the quality assurance review program?</p>	<p>1 <input checked="" type="checkbox"/> Audit firm</p> <p>2 <input type="checkbox"/> Partner</p>	<p>In Quebec: partner and audit firm</p> <p>In Alberta: Every partner preparing financial statements or business valuation engagements at each firm location is inspected.</p> <p>In British Columbia: The subject is a licensed practice office. Generally, each office in a multi-office firm would receive a separate report; a cross-section of work would be reviewed for each member with signing authority in the office.</p>
1.4.2.2.	<p><i>Audit Firm</i> As the audit firm is the subject of the quality assurance review program, the quality assurance program should be designed, as required by SMO 1, to obtain reasonable assurance that:</p> <ul style="list-style-type: none"> - The firm has an adequate system of quality control relating to audits of financial statements of listed entities (and of other entities or engagements that are also included in the scope of the review). - The firm complies with that system. - The firm and engagement teams have adhered to professional standards and regulatory and legal requirements in 	<p>1 <input checked="" type="radio"/> Yes</p>	

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	performing audits of financial statements selected for review. Does the quality assurance program contain all three of these elements?	2 <input type="radio"/> No	
1.4.2.5.	<i>Publication of Scope</i> Does your organization publish a description of the scope and design of its quality assurance review program?	1 <input checked="" type="radio"/> Yes 2 <input type="radio"/> No	
1.4.2.7.	<i>Name of Documents</i> Please name the published document(s) that describe the scope and design of the quality assurance review program.	The PICAs/Ordre publish these documents. For example, in Ontario the document is called the "Practice Inspection Program." In Quebec it is called "General Program." In British Columbia it is called the "Practice Review and Licensing Program."	
1.4.2.8.	<i>Location of Documents</i> Please indicate where the document(s) that include details on the scope and design of the quality assurance program can be located (e.g., provide internet	Alberta: www.icaa.ab.ca/databases/bin/session_validator.cgi?url=REVIEW	

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	address or indicate that documents are available from your organization).	<p>British Columbia: www.ica.bc.ca/about us/regulatory affairs/practice review and licensing/practice inspection and review</p> <p>Quebec: www.ocaq.qc.ca/protection of the public/regulations and processes/professional inspection</p> <p>Ontario: www.icao.on.ca/pi.htm</p>	
1.4.3.	Review Cycle		
1.4.3.1.	<p><i>Selection Approach</i> Please select the approach used to select subjects for quality assurance review. Select all the answer options that are appropriate.</p>	<p>1 <input checked="" type="checkbox"/> Cycle approach</p> <p>2 <input type="checkbox"/> Risk-based approach</p>	<p>Quebec has both a cycle and a risk-based approach.</p>
1.4.3.2.	<p><i>Cycle Approach - Firm</i> As the audit firm is the subject of the review, please indicate the maximum number of years in the review cycle:</p>	<p>1 <input type="radio"/> 1 year</p>	<p>Alberta and Ontario have a three year review cycle.</p> <p>British Columbia and Quebec have a four year maximum.</p>

Number	Question Title/Text/Help text	Answer	Comments
		<input type="radio"/> 2 years <input checked="" type="radio"/> 3 years <input type="radio"/> 4 years <input type="radio"/> 5 years <input type="radio"/> 6 or more years	
1.4.4.	Implementation of the Quality Assurance Program		
1.4.4.1.	<i>Date of Implementation</i> On what date did the quality assurance review program commence? (provide month/year)	6/1/1980	Alberta: 1980 Ontario: June 1, 1980 Quebec: July 1976 British Columbia: September 1, 1980
1.4.4.2.	<i>Number of Reviews - 2005</i> How many quality assurance reviews were completed during the year ended December 31, 2005 (or other 12 month period ending in 2005)?	1825	Alberta: 200 British Columbia: 284 Ontario: 634 Quebec: 516 Total inspections or quality assurance reviews for Canada are approximately 1825.
1.4.4.3.	<i>Number of Reviews - 2004</i> How many quality assurance reviews were completed during the year ended December 31, 2004 (or other 12 month period ending in 2004)?	1710	Alberta: 164 British Columbia: 244 Ontario: 646 Quebec: 463

Number	Question Title/Text/Help text	Answer	Comments
			Total inspections or quality assurance reviews for Canada are approximately 1710.
1.4.4.4.	<i>Number of Reviews - 2003</i> How many quality assurance reviews were completed during the year ended December 31, 2003 (or other 12 month period ending in 2003)?	1800	Alberta: 181 British Columbia: 263 Ontario: 646 Quebec: 516 Total inspections or quality assurance reviews for Canada are approximately 1800.
1.4.5.	Quality Assurance Review Team Procedures		
1.4.5.1.	<i>Publication of Review Guidelines</i> Does your organization publish guidelines for procedures to be followed by quality assurance review teams?	1 <input checked="" type="radio"/> Yes	British Columbia: Practice review officers work from a common set of checklists; these are NOT published.
		2 <input type="radio"/> No	
1.4.5.2.	<i>Name of Guidelines</i> State the name of the published document(s) that include the procedures required to be followed by quality assurance review teams.	Practice Inspection Manual	In Alberta there is a document entitled the Practice Review Policy Board Checklist. British Columbia: See BC reply to question

Number	Question Title/Text/Help text	Answer	Comments
			1.4.5.1.
1.4.5.4.	<p><i>Location of Guidelines</i> How can the document(s) that include the procedures required to be followed by quality assurance review teams be located (e.g., provide internet address or indicate that documents are available from your organization)?</p>	<p>In British Columbia contact the Director of Practice Review and Licensing at email: katrichak@ica.bc.ca</p> <p>In Alberta available on request from the Director, Practice Review.</p> <p>In Ontario available on request only from the director of practice inspection at email: pracinsp@icao.on.ca</p> <p>In Quebec the statute is public, the General Program is accessible to members only and the procedures of the inspection team are confidential to the Ordre.</p>	
1.4.5.5.	<p><i>Content of Guidelines</i> SMO 1 requires that the procedures to be performed during the quality assurance review include:</p>	1 <input checked="" type="radio"/> Yes	

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	<p>a. An assessment of the system of quality control relating to audits of financial statements of listed entities (minimum requirement)</p> <p>b. Sufficient review of the quality control policies and procedures and reviews of engagement working papers to evaluate:</p> <ul style="list-style-type: none"> - The functioning of that system of quality control, and compliance with it; and - The compliance with professional standards and regulatory and legal requirements in respect of audits of financial statements <p>c. Review of engagement working papers</p> <p>d. Specific requirements regarding documentation of the review</p> <p>Does your quality assurance review program include requirements for all of these procedures?</p>	<p>2 <input type="radio"/> No</p>	
1.4.5.7.	<p><i>Review of Engagement Working Papers</i></p> <p>SMO 1 requires procedures to be performed for the review of engagement working papers, including the evaluation of:</p>	<p>1 <input checked="" type="radio"/> Yes</p>	

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	<p>- The existence and effectiveness of the system of quality control implemented by the subject of the review;</p> <p>- Compliance with professional standards and regulatory and legal requirements in performing the engagement;</p> <p>- The sufficiency and appropriateness of evidence documented in the working papers; and</p> <p>- Whether the auditor's reports are appropriate in the circumstances.</p> <p>Does your quality assurance review program include requirements for all of these procedures?</p>	<p>2 <input type="radio"/> No</p>	
1.4.5.9.	<p><i>Documentation</i></p> <p>Do the procedures to be performed by the quality assurance review team require documentation:</p> <p>- of evidence supporting the quality assurance review report; and</p> <p>- that establishes that the quality assurance review was carried out in accordance with the established guidelines.</p> <p>Are both of these requirements included</p>	<p>1 <input checked="" type="radio"/> Yes</p>	

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	in the quality assurance review program?	2 <input type="radio"/> No	
1.4.6.	The Quality Assurance Review Team		
1.4.6.1.	<p><i>Skills and Competence</i></p> <p>Members of the quality assurance review team should have the necessary competencies to perform expected work. As required by SMO 1, these competencies should include:</p> <ul style="list-style-type: none"> - Appropriate professional education - Relevant professional experience - Specific training on performing quality assurance reviews <p>Does the quality assurance review program require members of the quality assurance review team to have all three of these competencies?</p>	1 <input checked="" type="radio"/> Yes	
		2 <input type="radio"/> No	
1.4.6.3.	<p><i>Certification/Credentials</i></p> <p>Are members of the quality assurance review team required to possess certification or credentials issued by your organization to be eligible to serve as team members?</p>	1 <input checked="" type="radio"/> Yes	
		2 <input type="radio"/> No	
1.4.6.5.	<i>Quality Assurance Review Team Leader</i>		

Number	Question Title/Text/Help text	Answer	Comments
	<p>Where more than one reviewer is used to conduct a review, is a quality assurance review team leader assigned for each quality assurance review assignment?</p>	<p>1 <input checked="" type="radio"/> Yes 2 <input type="radio"/> No</p>	
<p>1.4.6.7.</p>	<p><i>QA Review Team Leader - Responsibilities</i> As required by SMO 1, the responsibilities of the quality assurance review team leader should include:</p> <ul style="list-style-type: none"> - Supervision of the quality assurance review. - Communication of the quality assurance review team's conclusions to the subject of the review. - Preparation of the quality assurance review report. <p>Does the quality assurance program place all these responsibilities on the review team leader?</p>	<p>1 <input checked="" type="radio"/> Yes 2 <input type="radio"/> No</p>	
<p>1.4.6.9.</p>	<p><i>Size of Quality Assurance Review Team</i> Please estimate the average number of reviewers included on a review team.</p>	<p>2</p>	<p>In British Columbia there is usually 1 reviewer.</p> <p>In Quebec there is usually 1 reviewer though for a medium to large firm there are 3 to 4 reviewers.</p>

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1.4.7.	Quality Assurance Confidentiality - QA Review Team		
1.4.7.1.	<i>Exemption for QA Reviewers</i> Does your organization exempt members from professional client confidentiality requirements concerning audit engagement working papers for the purpose of quality assurance reviews?	1 <input checked="" type="radio"/> Yes 2 <input type="radio"/> No	
1.4.7.3.	<i>Confidentiality Requirements</i> Is the quality assurance review team required to follow professional confidentiality requirements similar to those established for professional accountants performing audits of financial statements?	1 <input checked="" type="radio"/> Yes 2 <input type="radio"/> No	
1.4.8.	Ethical Requirements and QA Review Team		
1.4.8.1.	<i>Fundamental Principles</i> Are the fundamental principles set out in the IFAC Code of Ethics (relevant national ethical requirements) considered in relation to the quality assurance review team's conduct of a review?	1 <input checked="" type="radio"/> Yes 2 <input type="radio"/> No	
1.4.8.3.	<i>Consideration of Independence</i> Quality assurance review team	1 <input checked="" type="radio"/> Yes	

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	<p>members are expected to be independent of the member (i.e., the accountant or firm being reviewed) and the member's clients selected for review.</p> <p>Do those who select and approve a review team determine whether the independence of the quality assurance review team leader and each member of the quality assurance review team has been reasonably assured?</p>	2 <input type="radio"/> No	
1.4.8.5.	<p><i>Reciprocal Reviews</i></p> <p>Where the review is performed by team members from a single firm (e.g., a "peer review"), please indicate whether firms are permitted to perform reciprocal quality assurance reviews.</p>	<p>1 <input type="radio"/> Yes, reciprocal reviews are permitted</p> <p>2 <input type="radio"/> No, reciprocal reviews are not permitted</p> <p>3 <input checked="" type="radio"/> Not applicable - peer review is not used</p>	
1.4.9.	<p>Reporting</p>		
1.4.9.1.	<p><i>Quality Assurance Review Report</i></p> <p>Is the quality assurance review team leader required to issue a written quality assurance review report to the reviewed firm or partner upon completion of each quality assurance review assignment?</p>	1 <input checked="" type="radio"/> Yes	<p>In Quebec the report is addressed to a statutory committee, the Inspection Committee. A copy of the report is also sent to the member/firm for them to forward if they so wish. The report must remain confidential.</p>

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		2○ No	
1.4.9.3.	<p><i>Contents of Report</i> As required by SMO 1, the quality assurance review report should include the following elements:</p> <ul style="list-style-type: none"> - The review guidelines (referred to in Question 1.4.5.1) utilized by the quality assurance review team. - Recommendations for areas of improvement at both firm wide and engagement level. <p>Does the quality assurance program require both of these elements to be included in the report?</p>	1Ⓞ Yes	British Columbia: See BC reply to question 1.4.5.1.
		2○ No	
1.4.9.5.	<p><i>Contents of Report - Firm</i> As required by SMO 1, the quality assurance review report should include the following conclusions:</p> <ul style="list-style-type: none"> - Whether the firm's system of quality control has been designed to meet the requirements of the applicable quality control standards; - Whether the firm has complied with its system of quality control during the period under review; and 	1Ⓞ Yes	<p>In British Columbia: We report exceptions/negative conclusions only; we also specifically disclaim that our reviews are intended to provide comfort re: compliance.</p> <p>In Quebec the report will contain findings categorized by strengths and weaknesses. The result's letter provides an overall statement on whether the member/firm has complied with the CICA's standards.</p>

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	<p>- Reasons for reaching negative conclusions on either or both of the above.</p> <p>Does the quality assurance program require all of these elements to be included in the report?</p>	2○ No	
1.4.9.8.	<p><i>Response to Reporting</i></p> <p>Is the subject of the review required to provide a timely written response to the recommendations and conclusions of the quality assurance review report, including planned actions and expected time of completion or implementation?</p>	1Ⓞ Yes	<p>In Alberta the firm is requested to respond but it is not mandatory for it to respond.</p> <p>In Quebec a response is required only from a member/firm that has been specifically identified for the follow-up process. For minor findings the inspection process implicitly requires the member/firm to address these findings and to improve the quality of their practice.</p>
1.4.9.10.	<p><i>Reporting to the Public</i></p> <p>Does your organization prepare and make available to the public (and upon request from regulatory authorities) an annual report summarizing the results of the quality assurance review program?</p>	1Ⓞ Yes	<p>In British Columbia: Reporting is adhoc; most often summarized reports of frequent deficiencies are published to inform/educate members.</p> <p>In Ontario, for example, this type of information is included in the Institute of Chartered Accountants of Ontario's (ICAO) annual report and is available to the public on the ICAO's website.</p>

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		2○ No	In Alberta the approach taken is similar to Ontario's. In Quebec the approach taken is the same as Ontario's.
1.4.10.	Corrective and Disciplinary Actions		
1.4.10.1.	<i>Corrective Actions Required</i> Does your organization require each of its members to make appropriate corrections to its system of quality control, or in its compliance with policies and procedures?	1Ⓞ Yes 2○ No	In Alberta, if a firm is assessed as having sufficient professional standards, there is no process to follow up on corrective actions until the following cycle in 3 years.
1.4.10.3.	<i>Disciplinary Actions</i> If one of your members subsequently fails to demonstrate compliance with professional standards and regulatory and legal requirements, do you take appropriate disciplinary action?	1Ⓞ Yes 2○ No	In Quebec the Ordre has the ability to use different avenues to require compliance. It can require, for example, that a mandatory course be taken or it can limit the practice rights of a member. If these actions do not result in compliance, then the Ordre can use its disciplinary powers to remove the CA designation.
1.4.10.5.	<i>Linkage with Disciplinary Actions</i> Does your organization clearly establish a link between less than satisfactory results of quality assurance reviews and the initiation of corrective and disciplinary actions under its	1Ⓞ Yes	

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	disciplinary system?	2○ No	
2.	SMO 2		
2.1.	<i>MB Membership Requirements</i> Which of the following are required for individuals to be admitted as members in your organization? Select all the options that are appropriate.	1☑ Complete a program of professional accountancy education 2☑ Complete a practical experience requirement 3☑ Complete a final assessment of the individual's professional capabilities and competencies 4☐ None of the above	
2.2.	<i>Continuous Professional Development</i> Is there a requirement for your members to develop and maintain competence through continuous professional development (CPD)?	1⊙ Yes 2○ No	
2.3.	Professional Accountancy Education		
2.3.1.	<i>Professional Accountancy Education Program</i> Who delivers the professional accountancy education program for your members? Select all the answer	1☑ Our organization	The CICA, as the Canadian CA profession's member body of IFAC, has decided to answer question 2.3.1 in SMO 2 by indicating that "our

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	options that are appropriate.		<p>organization” delivers the professional accountancy program for our members although this technically is not correct. CICA has answered in this fashion because it believes that by so doing and, where appropriate, by providing detailed comments as it answers the questions which follow, it will provide users of this document with a clearer picture of the professional accountancy education regime that applies to Canadian Chartered Accountants.</p> <p>In Canada it is the Provincial Institutes/Ordre of Chartered Accountants (PICAs/Ordre) that have the legal right to set and deliver the education program for CA students in their province. The PICAs/Ordre derive their powers, including the power to set admission standards, from their individual provincial statute of incorporation.</p> <p>Chartered Accountants in Canada must be members in good standing of at least one PICA/Ordre, thereby becoming a member of the federal body, CICA. As noted above, the PICAs/Ordre are responsible for setting the admission standards for students who wish to become Canadian CAs.</p> <p>All CA students are required to demonstrate the knowledge and skills of an entry-level Chartered Accountant on the profession’s Uniform</p>

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		<p>2 <input type="checkbox"/> Another IFAC member body</p> <p>3 <input checked="" type="checkbox"/> Universities</p> <p>4 <input type="checkbox"/> Approved training institutions</p> <p>5 <input type="checkbox"/> Government bodies</p> <p>6 <input type="checkbox"/> Other organizations</p>	<p>Evaluation (UFE). The professional education programs in all provinces are therefore intended to provide candidates with the necessary knowledge and skills to pass the UFE. The CICA on behalf of the PICAs/Ordre sets and marks the UFE, subject to PICA/Ordre approval. The results of the UFE are also reported to the PICAs/Ordre for their approval. Moreover, the CICA through its Qualification Committee sets the competency requirements of an entry-level Chartered Accountant and has established guidelines for accredited delivery systems to follow when providing a CA professional education program.</p> <p>Given the high degree of similarity of the PICAs’/Ordre’s education regimes and the work of the CICA’s Education Services Department on education-related matters, we believe that answering the questions on SMO 2 as though the CICA was responsible for education matters will provide a more complete response.</p>
2.3.2.	<i>Describe Other Organizations</i>		

Number	Question Title/Text/Help text	Answer	Comments
	<p>Where your response in question 2.3.1 indicates another IFAC member body, universities, approved training institutions, and / or other organizations deliver the professional accountancy education program, describe these organizations and their legal authority to deliver the program. (Include the name of the other IFAC member body where relevant).</p>	<p>Universities only. Canadian CA students all require a university degree with designated course coverage upon entering the CA professional education program. Universities are mandated by the provincial governments to provide tertiary education.</p>	
2.3.3.	<p><i>Prof Accountancy Education Program Follow Up</i></p> <p>Please describe how your organization ensures the professional accountancy education program, delivered by the organization in response to question 2.6, meets the required content.</p> <p>Include in your description the specific activities your organization undertakes with regards to the necessary content requirements.</p>	<p>Univeristy programs are reviewed and "accredited" in two regions where the significant portion of the professional accountancy education is delivered by universities.</p> <p>Our organization's programs are independently reviewed and "accredited" in all regions. An electronic copy and a hard copy of "CA Professional Education Guidelines for Specified Programs" will be provided to IFAC compliance program</p>	

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		staff with the completed questionnaire.	
2.7.	IES 1 Entry Requirements		
2.7.1.	<p><i>Entry Requirements and Equivalency</i> Section 2.7 deals with the entry requirements to the professional accountancy education program delivered by your organization.</p> <p>Are the entry requirements to the program equivalent to admissions requirements for a recognized university degree program (or its equivalent)?</p>	<p>1 <input checked="" type="radio"/> Entry requirements are at least equivalent to that for admission into a recognized university degree program (or its equivalent)</p> <p>2 <input type="radio"/> Entry requirements are not equivalent to that for admissions into a recognized university degree program (or its equivalent)</p>	
2.7.3.	<p><i>Process for Checking Equivalency</i> Is there a formal process for assessing whether an individual's experience and knowledge is equivalent to that for admissions into a recognized university?</p>	<p>1 <input checked="" type="radio"/> Yes</p> <p>2 <input type="radio"/> No</p>	
2.8.	IES 2 Content of Professional Accounting Education Program		

Number	Question Title/Text/Help text	Answer	Comments
2.8.1.	<p><i>Gaining Accountancy Knowledge</i> Section 2.8 deals with the general content of the professional accountancy education program delivered by your organization.</p> <p>What forms of pre-qualification, professional accountancy knowledge are recognized by your organization? Select all the answer options that are appropriate.</p>	<p>1 <input checked="" type="checkbox"/> Post-secondary accounting degree</p> <p>2 <input checked="" type="checkbox"/> Post-secondary business or finance degree</p> <p>3 <input checked="" type="checkbox"/> Post-secondary degree in another subject matter</p> <p>4 <input checked="" type="checkbox"/> Qualification offered by another IFAC member body</p> <p>5 <input checked="" type="checkbox"/> Relevant work experience</p> <p>6 <input type="checkbox"/> Other</p>	
2.8.2.	<p><i>Describe Other Degree</i> Describe in general terms the other degrees and specializations recognized by your organization.</p>	<p>Program requirement is for a university degree and specified courses. We will recognize any university degree but candidates will</p>	

Number	Question Title/Text/Help text	Answer	Comments
		<p>need to pick up specified courses if they were not part of a business degree program.</p>	
2.8.3.	<p><i>Describe Other IFAC Qualification</i> State the name of the IFAC member body and the title / designation offered by the IFAC member body that is recognized by your organization.</p>	<p>Institute of Chartered Accountants of Australia - Chartered Accountant (CA) Institut des reviseurs d'Enterprises de Belgique: Reviseurs d'Enterprise (RE) Institute of Chartered Accountants in England and Wales: Associate Chartered Accountant (ACA) Ordre des Experts Comptables (France): Expert Comptable (EC) The Hong Kong Institute of Certified Public Accountants : Certified Public Accountant (CPA) The Institute of Chartered Accountants in Ireland: Chartered Accountant (CA) Japanese Institute of Certified Public Accountants: Certified Public Accountant (CPA)</p>	

Number	Question Title/Text/Help text	Answer	Comments
		Instituto Mexicano de Contadores Publicos (IMCP): Contador Publico Certificado (CPC) Nederland Instituut van Register Accountants: Register Accountant (RA) Institute of Chartered Accountants of New Zealand: Chartered Accountant (CA) Institute of Chartered Accountants of Scotland: Chartered Accountant (CA) South African Institute of Chartered Accountants: Chartered Accountant (CA) State Boards of the United States: Certified Public Accountant (CPA)	
2.8.4.	<i>Relevant Work Experience</i> Describe the type and length of work experience that is recognized as part of pre-qualification professional accountancy knowledge.	Mature students may qualify for entry to the professional program if they have 5 years of relevant experience or 2 years of relevant experience and 3 years of post-secondary education. In either case they must obtain	

Number	Question Title/Text/Help text	Answer	Comments
		a grade of greater than 550 on the Graduate Management Admissions Test (GMAT)	
2.8.6.	<p><i>Pre-Qualification for Professional Knowledge</i></p> <p>What is the length of the professional accountancy knowledge component of pre-qualification education? Select the answer option that is the most appropriate.</p>	<p>1 <input type="radio"/> Two years of full-time study or part-time equivalent</p> <p>2 <input type="radio"/> Less than two years of full-time study or part-time equivalent</p> <p>3 <input checked="" type="radio"/> More than two years of full-time study or part-time equivalent study</p>	
2.8.7.	<p><i>Length Follow Up</i></p> <p>Please describe the extent of professional accountancy knowledge that is required as part of the pre-qualification education component. Include in your description factors that were relevant in selecting the extent of knowledge required.</p>	<p>The knowledge that is required is that which is necessary to demonstrate competence in accordance with "The CA Candidates' Competency Map: Understanding the Professional Competencies of CAs".</p> <p>An electronic copy and a</p>	

Number	Question Title/Text/Help text	Answer	Comments
		hard copy of the Competency Map will be provided to IFAC Compliance staff with this completed questionnaire.	
2.8.8.	Pre-Qualification Content		
2.8.8.1.	<p><i>Accounting and Finance</i></p> <p>Section 2.8.8.1 deals with the specific content of the professional accountancy education program delivered by your organization.</p> <p>Which of the following accounting, finance, and related knowledge subject areas are required prior to qualification? Select all the answer options that are appropriate.</p>	<p>1 <input checked="" type="checkbox"/> Financial accounting and reporting</p> <p>2 <input checked="" type="checkbox"/> Management accounting and control</p> <p>3 <input checked="" type="checkbox"/> Control</p> <p>4 <input checked="" type="checkbox"/> Taxation</p> <p>5 <input checked="" type="checkbox"/> Business and commercial law</p> <p>6 <input checked="" type="checkbox"/> Audit and assurance</p> <p>7 <input checked="" type="checkbox"/> Finance and financial management</p> <p>8 <input checked="" type="checkbox"/> Professional values and ethics</p> <p>9 <input type="checkbox"/> None of the above</p>	
2.8.8.3.	<i>Organizational and Business</i>		

Number	Question Title/Text/Help text	Answer	Comments
	<p><i>Knowledge</i> Which of the following organizational and business knowledge subject areas are required prior to qualification? Select all the answer options that are appropriate.</p>	<p>1 <input checked="" type="checkbox"/> Economics</p> <p>2 <input checked="" type="checkbox"/> Business environment</p> <p>3 <input checked="" type="checkbox"/> Corporate governance</p> <p>4 <input checked="" type="checkbox"/> Business ethics</p> <p>5 <input checked="" type="checkbox"/> Financial markets</p> <p>6 <input checked="" type="checkbox"/> Quantitative methods</p> <p>7 <input checked="" type="checkbox"/> Organizational behavior</p> <p>8 <input checked="" type="checkbox"/> Management and strategic decision making</p> <p>9 <input checked="" type="checkbox"/> Marketing</p> <p>10 <input type="checkbox"/> International business and globalization</p> <p>11 <input type="checkbox"/> None of the above</p>	
2.8.8.5.	<p><i>Information Technology</i> Which of the following information technology (IT) subject areas and competences are required prior to qualification? Select all the answer options that are appropriate.</p>	<p>1 <input checked="" type="checkbox"/> General knowledge of IT</p> <p>2 <input checked="" type="checkbox"/> IT control knowledge</p> <p>3 <input checked="" type="checkbox"/> IT control competences</p> <p>4 <input checked="" type="checkbox"/> IT user competences</p>	

Number	Question Title/Text/Help text	Answer	Comments
		5 <input checked="" type="checkbox"/> One of, or a mixture of, the competences of, the roles of manager, evaluator or designer of information systems 6 <input type="checkbox"/> None of the above	
2.8.8.7.	<i>Additional Content by Requirement</i> Are there additional content requirements specified by law or regulation, or your organization?	1 <input checked="" type="checkbox"/> Yes, as required by law or regulation 2 <input type="checkbox"/> Yes, as determined to be necessary by our organization 3 <input type="checkbox"/> No	
2.8.8.8.	<i>Additional Content - Describe</i> Describe the additional content required by law / regulation or determined to be necessary by your organization including whether this requirement applies to all professional accountants or those operating in public practice or employed in business.	The government of the province of Quebec requires all professionals (including our members) to sit a French language proficiency test.	
2.9.	IES 3 Professional Skills		
2.9.1.	<i>Development of Intellectual Skills</i> Section 2.9 deals with the professional skills required by the professional accountancy education program delivered by your organization.	1 <input checked="" type="checkbox"/> As part of general education and / or as part of the professional accountancy education program entry	

Number	Question Title/Text/Help text	Answer	Comments
	<p>At what points in the professional accountancy education program are intellectual skills developed? Select all the answer options that are appropriate. In responding to this question refer to IES 3 paragraphs 13 and 14.</p>	<p>requirements</p> <p>2 <input type="checkbox"/> Through specific professional accountancy education course content</p> <p>3 <input checked="" type="checkbox"/> Through practical experience requirement</p> <p>4 <input type="checkbox"/> Other (please describe)</p>	
2.9.2.	<p><i>Intellectual Skills</i> Describe the specific intellectual skills candidates are required to have at the point of qualification and how these skills are assessed.</p>	<p>The CA Candidates' Competency Map: Understanding the Professional Competencies of CAs describes the CA competencies and the levels of proficiency in each that candidates are expected to develop to qualify as a CA. It also provides numerous examples of how candidates are expected to demonstrate these competencies during their studies, their work experience, and on the</p>	

Number	Question Title/Text/Help text	Answer	Comments
		<p>profession's uniform evaluation. An electronic and a hard copy of this document are attached.</p> <p>The Intellectual Skills can be found in Section C of "The Pervasive Qualities and Skills" titled "Professional Skills". Specifically this section addresses the following intellectual skills:</p> <p>C-1 Obtains Information C-1.1 Gathers, creates or develops information and ideas C-1.2 Develops an understanding of the operating environment C-1.3 Identifies the needs of internal and external clients C-2 Examines and interprets information and ideas critically C-2.1 Analyzes information or ideas C-2.2 Performs computations C-2.3 Tests, or validates information</p>	

Number	Question Title/Text/Help text	Answer	Comments
		<p>C-2.4 Observes and analyzes activities</p> <p>C-2.5 Verifies information</p> <p>C-2.6 Evaluates information and ideas</p> <p>C-2.7 Combines or synthesizes and/or integrates ideas and information from various sources</p> <p>C-2.8 Draws conclusions/forms opinions</p> <p>C-3 Solves problems and makes decisions</p> <p>C-3.1 Identifies and diagnoses problems and/or issues</p> <p>C-3.2 Develops solutions</p> <p>C-3.3 Decides/recommends/provides advice</p> <p>All of these professional skills are evaluated on the profession's uniform evaluation and in the candidate's work experience.</p>	
2.9.3.	<p><i>Development of Technical and Functional Skills</i></p> <p>At what points in the professional</p>	1 <input checked="" type="checkbox"/> As part of general	

Number	Question Title/Text/Help text	Answer	Comments
	<p>accountancy education program are technical and functional skills developed? Select all the answer options that are appropriate. In responding to this question refer to IES 3 paragraphs 13 and 15.</p>	<p>education and / or as part of the professional accountancy education program entry requirements</p> <p>2 <input type="checkbox"/> Through specific professional accountancy education course content</p> <p>3 <input checked="" type="checkbox"/> Through practical experience requirement</p> <p>4 <input type="checkbox"/> Other (please describe)</p>	
2.9.4.	<p><i>Technical and Functional Skills</i> Describe the specific technical and functional skills candidates are required to have at the point of qualification and how these skills are assessed.</p>	<p>The CA Candidates' Competency Map: Understanding the Professional Competencies of CAs describes the CA competencies and the levels of proficiency in each that candidates are expected to develop to qualify as a CA. It also provides numerous examples of how candidates are expected to demonstrate these competencies during their studies, their work experience, and on the profession's uniform</p>	

Number	Question Title/Text/Help text	Answer	Comments
		<p>evaluation. An electronic and a hard copy of this document are attached. The technical and functional skills can be found in The Specific Competencies section. Specifically this section addresses the following technical and functional skills:</p>	
		<p>Organizational Effectiveness, Control and Risk Management</p>	
		<p>I-1 Evaluates the Entity's Purpose in the Context of its Operating Environment</p>	
		<p>I-2 Evaluates the Entity's Commitment to Fulfilling its Mission and Vision</p>	
		<p>I-3 Evaluates the Entity's Ability to Manage Organizational Performance</p>	
		<p>I-4 Evaluates the Entity's Monitoring and Learning Processes</p>	
		<p>Finance II-1 Establishes or</p>	

Number	Question Title/Text/Help text	Answer	Comments
		<p>Evaluates Overall Financial Goals</p> <p>II-2 Develops Financial Information to Support Financial Decision-Making</p> <p>II-3 Makes Financial Decisions and Executes Transactions</p> <p>II-4 Manages the Financial Management Function</p> <p>II-5 Performs Personal Financial Planning</p> <p>Taxation</p> <p>III-1 Analyzes the Entity's Tax Profile and Identifies Overall Tax Issues</p> <p>III-2 Prepares and Files Necessary Returns in Accordance with Legal Requirements</p> <p>III-3 Practices Effective Tax Planning to Maximize After-Tax Returns</p> <p>III-4 Supports, Defends, and Negotiates Tax Positions</p> <p>III-5 Contributes to Federal and Provincial Tax Policy</p>	

Number	Question Title/Text/Help text	Answer	Comments
		Assurance	
		IV-1 Evaluates Assurance Needs	
		IV-2 Provides Professional Assurance Services	
		IV-3 Provides Internal and Comprehensive Auditing	
		IV-4 Contributes to the Development of New Assurance Services	
		IV-5 Contributes to Assurance Standards	
		Performance Measurement	
		V-1 Analyzes Performance Measurement Needs	
		V-2 Conducts External Financial and Non-Financial Reporting	
		V-3 Conducts Internal Financial and Non-Financial Reporting	
		V-4 Contributes to the Development of New Techniques	
		V-5 Contributes to Performance Measurement Standards	

Number	Question Title/Text/Help text	Answer	Comments
		<p>Information and Information Technology</p> <p>VI-1 Assesses Information Technology Strategy</p> <p>VI-2 Evaluates the Impact of Information Technology on the Entity's Organizational Performance</p> <p>VI-3 Improves the Entity's IT Design</p> <p>VI-4 Designs and Manages System Installations and Upgrades</p> <p>VI-5 Contributes to Developments in IT</p> <p>All of these technical and functional skills are evaluated on the profession's uniform evaluation and in the candidate's work experience.</p>	
2.9.5.	<p><i>Development of Personal Skills</i></p> <p>At what points in the professional accountancy education program are personal skills developed? Select all the answer options that are appropriate. In</p>	<p>1 <input checked="" type="checkbox"/> As part of general education and / or as part of the professional accountancy education</p>	

Number	Question Title/Text/Help text	Answer	Comments
	responding to this question IES 3 paragraphs 13 and 16.	<p>program entry requirements</p> <p>2 <input type="checkbox"/> Through specific professional accountancy education course content</p> <p>3 <input checked="" type="checkbox"/> Through practical experience requirement</p> <p>4 <input type="checkbox"/> Other (please describe)</p>	
2.9.6.	<p><i>Personal Skills</i></p> <p>Describe the specific personal skills candidates are required to have at the point of qualification and how these skills are assessed.</p>	<p>The CA Candidates' Competency Map: Understanding the Professional Competencies of CAs describes the CA competencies and the levels of proficiency in each that candidates are expected to develop to qualify as a CA. It also provides numerous examples of how candidates are expected to demonstrate these competencies during their studies, their work experience, and on the profession's uniform evaluation. An electronic and a hard copy of this document are attached. The personal skills can be found in</p>	

Number	Question Title/Text/Help text	Answer	Comments
		<p>Sections A and B of "The Pervasive Qualities and Skills" titled "Ethical Behaviour and Professionalism" and "Personal Attributes". Specifically these sections address the following personal skills:</p> <p>Section A: Ethical Behaviour and Professionalism</p> <p>A-1 Protects the public interest</p> <p>A-2 Acts competently with honesty and integrity</p> <p>A-3 Carries out work with a desire to exercise due care</p> <p>A-4 Maintains independence where the nature of the work requires it</p> <p>A-5 Protects the confidentiality of information</p> <p>A-6 Practises professional courtesy</p> <p>A-7 Maintains and enhances the profession's reputation</p>	

Number	Question Title/Text/Help text	Answer	Comments
		<p>A-8 Adheres to the rules of professional conduct</p> <p>Section B: Personal Attributes</p> <p>B-1 Is self-managing</p> <p>B-2 Demonstrates initiative</p> <p>B-3 Maintains and demonstrates competence and recognizes limits</p> <p>B-4 Strives to add value</p> <p>B-5 Applies strategic thinking</p> <p>B-6 Develops innovative ideas / is creative</p> <p>B-7 Adapts to change</p> <p>B-8 Treats others in a professional manner</p> <p>All of these personal skills are evaluated on the profession's uniform evaluation and in the candidate's work experience.</p>	
2.9.7.	<p><i>Dev of Interpersonal and Communication Skills</i></p> <p>At what points in the professional accountancy education program are</p>	<p>1 <input checked="" type="checkbox"/> As part of general education and / or as</p>	

Number	Question Title/Text/Help text	Answer	Comments
	<p>interpersonal and communication skills developed? Select all the answer options that are appropriate. In responding to this question refer to IES 3 paragraphs 13 and 17.</p>	<p>part of the professional accountancy education program entry requirements</p> <p>2 <input type="checkbox"/> Through specific professional accountancy education course content</p> <p>3 <input checked="" type="checkbox"/> Through practical experience requirement</p> <p>4 <input type="checkbox"/> Other (please describe)</p>	
2.9.8.	<p><i>Interpersonal and Communication Skills</i> Describe the specific interpersonal and communication skills candidates are required to have at the point of qualification and how these skills are assessed.</p>	<p>The CA Candidates' Competency Map: Understanding the Professional Competencies of CAs describes the CA competencies and the levels of proficiency in each that candidates are expected to develop to qualify as a CA. It also provides numerous examples of how candidates are expected to demonstrate these competencies during their studies, their work experience, and on the profession's uniform</p>	

Number	Question Title/Text/Help text	Answer	Comments
		<p>evaluation. An electronic and a hard copy of this document are attached. The Interpersonal and Communication Skills can be found in Section C of "The Pervasive Qualities and Skills" titled "Professional Skills". Specifically this section addresses the following skills:</p> <p>C-4 Communicates effectively and efficiently C-4.1 Seeks and shares information, facts and opinions through presentation and discussion C-4.2 Communicates in written and graphic form C-4.3 Presents information to groups effectively C-4.4 Leads effective meetings C-4.5 Confirms information to prevent misunderstanding</p> <p>All of these interpersonal and communication skills are evaluated on the profession's</p>	

Number	Question Title/Text/Help text	Answer	Comments
		<p>uniform evaluation and in the candidate's work experience.</p> <p>Absent from our list of competencies are any reference to the following IES 3 requirements: Para 17. (C) interact with culturally and intellectually diverse people; Para 17. (E) work effectively in a cross-cultural setting; and, Para 17. (G) listen and read effectively, including a sensitivity to cultural and language differences.</p>	
2.9.9.	<p><i>Dev of Organizational and Business Mngt Skills</i></p> <p>At what points in the professional accountancy education program are organizational and business management skills developed? Select all the answer options that are appropriate. In responding to this question refer to IES 3 paragraphs 13 and 18.</p>	<p>1 <input checked="" type="checkbox"/> As part of general education and / or as part of the professional accountancy education program entry requirements</p> <p>2 <input type="checkbox"/> Through specific professional</p>	

Number	Question Title/Text/Help text	Answer	Comments
		accountancy education course content 3 <input checked="" type="checkbox"/> Through practical experience requirement 4 <input type="checkbox"/> Other (please describe)	
2.9.10.	<i>Organizational and Business Management Skills</i> Describe the specific organizational and business management skills candidates are required to have at the point of qualification and how these skills are assessed.	The CA Candidates' Competency Map: Understanding the Professional Competencies of CAs describes the CA competencies and the levels of proficiency in each that candidates are expected to develop to qualify as a CA. It also provides numerous examples of how candidates are expected to demonstrate these competencies during their studies, their work experience, and on the profession's uniform evaluation. An electronic and a hard copy of this document are attached. The Organizational and Business Management Skills can be found in Section C of "The Pervasive Qualities and	

Number	Question Title/Text/Help text	Answer	Comments
		<p>Skills" titled "Professional Skills". Specifically this section addresses the following organizational and business management skills:</p> <p>C-5 Manages and Supervises</p> <p>C-5.1 Plans and manages projects</p> <p>C-5.2 Organizes necessary internal and external expertise</p> <p>C-5.3 Recruits and hires professional staff</p> <p>C-5.4 Provides leadership</p> <p>C-5.5 Supervises and coaches professional staff and evaluates their performance</p> <p>C-5.6 Facilitates group processes such as planning, problem solving and conflict resolution</p> <p>C-5.7 Negotiates</p> <p>C-5.8 Manages an internal functional area, e.g. treasury, internal audit, legislative audit entity of the federal government or provincial government.</p>	

Number	Question Title/Text/Help text	Answer	Comments
		All of these organizational and business management skills are evaluated on the profession's uniform evaluation and in the candidate's work experience.	
2.10.	IES 4 Professional Values, Ethics and Attitudes		
2.10.1.	<p data-bbox="373 678 877 880"><i>Content for Values, Ethics and Attitudes</i> Section 2.10 deals with professional ethics, values, and attitude content and requirements of the professional accountancy education program delivered by your organization.</p> <p data-bbox="373 919 877 1016">Does the professional accountancy education program include coverage of values, ethics and attitudes?</p>	<p data-bbox="877 711 1255 743">1 <input checked="" type="radio"/> Yes</p> <p data-bbox="877 1016 1255 1049">2 <input type="radio"/> No</p>	
2.10.2.	Values, Ethics and Attitudes in Content		
2.10.2.1.	<p data-bbox="373 1130 877 1195"><i>Program Content for Values, Ethics and Attitudes</i></p> <p data-bbox="373 1195 877 1359">Which of the following are included in the program content? Select all the answer options that are appropriate.</p>	<p data-bbox="877 1195 1255 1227">1 <input checked="" type="checkbox"/> The nature of ethics</p> <p data-bbox="877 1299 1255 1359">2 <input checked="" type="checkbox"/> Differences of detailed rules-based and</p>	

Number	Question Title/Text/Help text	Answer	Comments
		framework approaches to ethics, their advantages and drawbacks	
3	<input checked="" type="checkbox"/>	Compliance with the fundamental ethical principles of integrity, objectivity, commitment to professional competence and due care, and confidentiality	
4	<input checked="" type="checkbox"/>	Professional behavior and compliance with technical standards	
5	<input checked="" type="checkbox"/>	Concepts of independence, skepticism, accountability and public expectations	
6	<input checked="" type="checkbox"/>	Ethics and the profession: social responsibility	
7	<input checked="" type="checkbox"/>	Ethics and law, including the relationship between laws, regulations and the public interest	
8	<input checked="" type="checkbox"/>	Consequences of	

Number	Question Title/Text/Help text	Answer	Comments
		<p>unethical behavior to the individual, to the profession and to society at large</p> <p>9 <input checked="" type="checkbox"/> Ethics in relation to business and good governance</p> <p>10 <input checked="" type="checkbox"/> Ethics and the individual professional accountant: whistle blowing, conflicts of interest, ethical dilemmas and their resolution.</p> <p>11 <input type="checkbox"/> None of the above</p>	
2.10.2.3.	<p><i>IFAC Code of Ethics</i></p> <p>Is the program content based on the relevant sections of the IFAC Code of Ethics?</p>	<p>1 <input type="radio"/> Yes</p> <p>2 <input checked="" type="radio"/> No</p>	
2.10.2.4.	<p><i>Workplace Learning Development</i></p> <p>At what points in the professional accountancy education program are values, ethics, attitudes and adherence to them developed? Select all the answer options that are appropriate.</p>	<p>1 <input checked="" type="checkbox"/> As part of general education and / or as part of the program entry requirements</p> <p>2 <input type="checkbox"/> Through specific</p>	

Number	Question Title/Text/Help text	Answer	Comments
		program course content 3 <input checked="" type="checkbox"/> Through practical experience requirement 4 <input type="checkbox"/> Other (please describe)	
2.10.2.5.	<p><i>IFAC Code of Ethics Follow Up</i> Please describe why the program content is currently not based on the relevant sections of the IFAC Code of Ethics?</p> <p>Please include in your description whether there are plans to incorporate IFAC Code of Ethics into the program content.</p>	<p>The program content is based on the code of conduct of each provincial institute. The PICA codes are harmonized to the extent possible. It is believed that the current Rules of Professional Conduct, in substantially all respects, meet the spirit of the IFAC Code and exceed its rigour and that at the present time the Rules of Professional Conduct in Canada and related Council Interpretations are no less stringent.</p>	
2.11.	<p>IES 5 Practical Experience Requirement</p>		
2.11.1.	<p><i>Approved Provider</i> Section 2.11 deals with the practical experience requirement established by your organization.</p> <p>Does the practical experience</p>	<p>1 <input checked="" type="radio"/> Yes</p>	

Number	Question Title/Text/Help text	Answer	Comments
	requirement have to be obtained with approved providers or employers?	20 No	
2.11.2.	<p><i>Provider Characteristics</i> Please describe the characteristics set by your organization for recognizing approved providers.</p>	<p>The CA Practical Experience Requirements:</p> <ul style="list-style-type: none"> - provides the criteria for Approved Training Offices and practical experience requirements under a competency-based approach; - describes how Approved Training Offices and CA candidates should use the competency standards of "The CA Candidates' Competency Map" in the practical experience component of the CA qualification process; and - specifies the framework, supervision and prescribed reporting requirements for participating Approved Training Offices. <p>Its emphasis is on the quality and relevance of the practical experience term and on entry-level CA competency</p>	

Number	Question Title/Text/Help text	Answer	Comments
		development. An electronic and a hard copy of the CA Practical Experience Requirements document are attached.	
2.11.4.	<i>Length of Practical Experience</i> What is the required length of pre-qualification practical experience? Select the answer option that is most appropriate.	1Ⓐ Three years 2Ⓐ Less than three years 3Ⓐ More than three years	
2.11.6.	Practical Application SMO 2		
2.11.6.1.	<i>Practical Application</i> Where relevant graduate (beyond under-graduate, e.g., masters) professional education has a strong element of practical accounting application, may any portion of the professional education be contributed to the practical experience requirement?	1Ⓐ Yes 2Ⓐ No	
2.11.6.2.	<i>Practical Application Recognized</i> How many months of the practical accounting component may be contributed towards the practical experience requirement?	1Ⓐ One to twelve months 2Ⓐ Thirteen or more	

Number	Question Title/Text/Help text	Answer	Comments
		months 3○ Other	
2.11.7.	Timing of Experience		
2.11.7.1.	<i>Pre or Post Qualification Experience</i> The practical experience for accountants may be obtained (select all the answer options that are appropriate):	1□ Before the professional accountancy education program of study 2☑ At the same time as the professional accountancy education program of study 3☑ After the professional accountancy education program of study	
2.11.7.2.	<i>Describe Pre or Post Experience</i> Describe the length of practical experience that may be obtained pre-qualification and / or post-qualification.	All experience is obtained pre-qualification. A candidate cannot qualify as a CA without the required experience.	
2.12.	IES 5 Monitoring of Practical Experience Requirement		
2.12.1.	<i>Monitoring of Practical Experience</i> Is the period of practical experience monitored?	1⊙ Yes 2○ No	
2.12.3.	<i>Monitoring Practical Experience</i> How is the practical experience	1□ Mentoring system	

Number	Question Title/Text/Help text	Answer	Comments
	<p>requirement (or practical application) monitored and assessed? Select all the answer options that are appropriate.</p>	<p>2<input checked="" type="checkbox"/> Approved training employers and organizations</p> <p>3<input type="checkbox"/> Self-declaration required from the candidate</p> <p>4<input checked="" type="checkbox"/> Record of the practical experience is kept and submitted to the member body when applying for membership</p> <p>5<input type="checkbox"/> An assessment is made by the mentor or employer</p> <p>6<input type="checkbox"/> Other (please describe)</p>	
2.13.	<p>IES 6 Assessment of Prof Capabilities and Competence</p>		
2.13.1.	<p><i>Assessment by IFAC Body or Other</i> Section 2.13 deals with the final assessment requirements established by your organization.</p> <p>Select all the organizations involved in conducting the final assessment.</p> <p>If the final assessment is conducted</p>	<p>1<input checked="" type="checkbox"/> Our organization (including training entities that are affiliated with our organization or a subsidiary of our organization).</p>	

Number	Question Title/Text/Help text	Answer	Comments
	<p>jointly between various organizations, select all those that have some responsibility for conducting the final assessment and in the Comment Box, describe the nature of their respective roles and responsibilities.</p>	<p>2 <input type="checkbox"/> Another IFAC member body 3 <input type="checkbox"/> Government or regulatory body 4 <input type="checkbox"/> Other</p>	
2.13.4.	<p><i>Characteristics of Assessment</i> Which of the following characteristics are applicable to the final assessment process? Select all the answer options that are appropriate.</p>	<p>1 <input checked="" type="checkbox"/> Uniform for all students 2 <input checked="" type="checkbox"/> Given simultaneously where it is being held in more than once location in the country 3 <input checked="" type="checkbox"/> Assessment is set and assessed only by qualified or approved individuals 4 <input type="checkbox"/> None of the above</p>	
2.13.5.	<p><i>Qualifying for Final Assessment</i> What requirements must the candidate satisfy to take the final assessment? Select all the answer options that are appropriate.</p>	<p>1 <input checked="" type="checkbox"/> Specified pre-qualification requirements relating to professional</p>	

Number	Question Title/Text/Help text	Answer	Comments
		knowledge, professional skills, and professional values, ethics, and attitudes 2 <input type="checkbox"/> Specified practical experience requirements 3 <input type="checkbox"/> Other (please describe) 4 <input type="checkbox"/> None of the above	
2.13.6.	<i>Timing Considerations for Final Assessment</i> Is there a requirement or restriction for completing the final assessment? For example, some organization may require the candidate to take the final examination within a specified number of years of meeting the pre-assessment requirements.	1 <input checked="" type="radio"/> Yes 2 <input type="radio"/> No	
2.13.7.	<i>Requirement or Restrictions</i> Describe the requirements or restrictions relating to when the final assessment must be undertaken.	There are a variety of restrictions across the country. In Quebec Candidates must complete the final assessment within six years of completing their education program. In Ontario candidates must attempt the final assessment within seven years of	

Number	Question Title/Text/Help text	Answer	Comments
		<p>registering as a student and upon completion of the education program. In some jurisdictions there is no time restriction. In all cases the final assessment may not be undertaken until the education program is completed.</p>	
2.13.8.	<p><i>Assess Professional Knowledge</i> Describe in general terms how required professional knowledge (e.g. technical knowledge about accounting, finance, audit, financial reporting, legislative requirements, information technology etc) is assessed during the final assessment.</p>	<p>The CA Candidates' Competency Map: Understanding the Professional Competencies of CAs describes the CA competencies and the levels of proficiency in each that candidates are expected to develop to qualify as a CA. It also provides numerous examples of how candidates are expected to demonstrate these competencies during their studies, their work experience, and on the profession's uniform evaluation. An electronic and a hard copy of this document are attached.</p>	

Number	Question Title/Text/Help text	Answer	Comments
		<p>The profession's uniform evaluation - widely known as the UFE - assesses whether candidates have acquired the competencies required of an entry-level CA through a uniform written evaluation that all CAs must pass in order to qualify for the profession.</p>	
		<p>The uniform evaluation consists of three papers written over three days, one each day. These papers challenge candidates to demonstrate competence by responding to simulations-business cases that are representative of the kinds of challenges faced by the entry-level CA. The first paper is a five-hour paper consisting of a single comprehensive business simulation. The second and third papers are both four-hour papers, each consisting of a number of simulations.</p>	

Number	Question Title/Text/Help text	Answer	Comments
2.13.9.	<i>Assess Professional Skills</i>	<p>All simulations require candidates to demonstrate CA competencies at the proficiency levels specified in "The CA Candidates' Competency Map".</p> <p>The CA Candidates' Competency Map lays out the specific competencies expected of entry-level CAs. It is used by the Board of Evaluators to create the simulations that comprise the UFE. These simulations enable candidates to demonstrate that they have indeed acquired the necessary degree of professional competency: i.e. both the significant body of knowledge and the skills, values and attitudes needed to analyze, synthesize and apply that knowledge effectively.</p>	

Number	Question Title/Text/Help text	Answer	Comments
	<p>Describe in general terms how required professional skills (e.g. ability to solve problems, make decisions, exercise judgment, personal skills, interpersonal and communication skills, organizational and business management skills etc) are assessed during the final assessment.</p>	<p>The CA Candidates' Competency Map: Understanding the Professional Competencies of CAs describes the CA competencies and the levels of proficiency in each that candidates are expected to develop to qualify as a CA. It also provides numerous examples of how candidates are expected to demonstrate these competencies during their studies, their work experience, and on the profession's uniform evaluation. An electronic and a hard copy of this document are attached.</p> <p>Entry-level CA competencies are the specific skills that are expected to be demonstrate at a defined proficiency level in a manner that reflects the professional skills and attitudes of a CA. The CA Candidates' Competency Map lays out the competencies:</p>	

Number	Question Title/Text/Help text	Answer	Comments
		<p>1. The pervasive qualities and skills -- the “hows” of being a CA – which all CAs are expected to bring to all their work:</p> <ul style="list-style-type: none"> • Personal attributes such as accountability, adaptability to change and the ability to self-manage, take initiative and add value; and • Professional skills such as communication, problem solving and management skills. <p>The CA Candidates’ Competency Map clearly defines the level of proficiency that are expected to be demonstrated on the UFE in each of these competencies.</p>	
2.13.10.	<p><i>Assess Professional Values, Ethics, Attitudes</i> Describe in general terms how required professional values, ethics, and attitudes</p>	<p>The CA Candidates’ Competency Map:</p>	

Number	Question Title/Text/Help text	Answer	Comments
	<p>are assessed during the final assessment.</p>	<p>Understanding the Professional Competencies of CAs describes the CA competencies and the levels of proficiency in each that candidates are expected to develop to qualify as a CA. It also provides numerous examples of how candidates are expected to demonstrate these competencies during their studies, their work experience, and on the profession's uniform evaluation. An electronic and a hard copy of this document are attached.</p> <p>Entry-level CA competencies are the specific skills that are expected to be demonstrate at a defined proficiency level in a manner that reflects the professional skills and attitudes of a CA. The CA Candidates' Competency Map lays out the competencies:</p> <ol style="list-style-type: none"> 1. The pervasive 	

Number	Question Title/Text/Help text	Answer	Comments
		<p>qualities and skills -- the “hows” of being a CA – which all CAs are expected to bring to all their work:</p> <ul style="list-style-type: none"> • Ethical behavior and professionalism <p>The CA Candidates’ Competency Map clearly defines the level of proficiency that are expected to be demonstrated on the UFE in each of these competencies.</p>	
2.13.11.	<p><i>Recorded or Oral Format</i> Is the final assessment conducted through:</p>	<p>1 <input checked="" type="radio"/> Recorded format with recorded (e.g. written) response required</p> <p>2 <input type="radio"/> Oral format with oral responses</p> <p>3 <input type="radio"/> Both recorded and oral response formats</p>	
2.13.13.	<p><i>Assessment Formats</i> What formats are used in conducting the final assessment (select all the answer options that are appropriate)?</p>	<p>1 <input type="checkbox"/> Multiple choice questions</p> <p>2 <input checked="" type="checkbox"/> Case studies</p>	

Number	Question Title/Text/Help text	Answer	Comments
		<input type="checkbox"/> Technical questions <input type="checkbox"/> Thesis <input type="checkbox"/> Other (please describe) <input type="checkbox"/> None of the above	
2.13.14.	<p><i>Reliability and Validity</i> Describe in general terms the procedures in place to ensure the final assessments are reliable and valid. Include a description of how the assessment questions are set and by whom and also how reviewers / assessors are selected.</p>	<p>The profession's Board of Evaluators prepares a report each year on that year's uniform evaluation. The Board of Evaluators' Report on the 2005 Uniform Evaluation is provided:</p> <ol style="list-style-type: none"> 1. To assist education committees and councils of the provincial and Bermuda institutes and provincial boards of examiners in their review and approval of the results of the 2005 Uniform Evaluation (UFE). 2. To assist the profession in improving pre-examination educational and screening processes and, in turn, the performance of candidates on the UFE. <p>The report sets out the responsibilities of the Board</p>	

Number	Question Title/Text/Help text	Answer	Comments
		<p>of Evaluators, the methods of guide development and marking the UFE, and the results of the marking process. The report concludes with the recommendation of the Board of Evaluators. Three appendices provide more detailed information on the design, guide setting, and marking of the 2005 UFE, and the evaluators' comments and expectations of candidates on the simulations.</p> <p>An electronic and a hard copy of the Board of Evaluators Report on the 2005 Uniform Evaluation are attached.</p>	
2.13.15.	<p><i>Frequency of Final Assessments</i> How many times in a year is the final assessment offered? Select the answer option that is the most appropriate.</p>	<p>1 <input checked="" type="radio"/> Yearly (or once a year)</p> <p>2 <input type="radio"/> Half yearly (or twice a year)</p> <p>3 <input type="radio"/> Three sessions a year</p>	

Number	Question Title/Text/Help text	Answer	Comments
		4○ Four sessions a year 5○ Five sessions a year 6○ Other (please describe the frequency of the examinations)	
2.14.	IES 7 Continuing Professional Development - CPD		
2.14.1.	<p><i>Responsibility for CPD Requirements</i> Section 2.14 deals with the continuous professional development requirements established by your organization.</p> <p>Who establishes the continuous professional development requirements applicable to your members? Select all the answer options that are appropriate.</p>	1 <input checked="" type="checkbox"/> Our organization 2 <input type="checkbox"/> Another organization (state the name of the organization including whether it is an IFAC member body) 3 <input type="checkbox"/> Law and / or regulation (state the name of the law / regulation) 4 <input type="checkbox"/> Other (please describe)	
2.14.2.	<p><i>CPD and Professional Accountants</i> Which membership categories are required to maintain professional competence through continuous professional development? Select all</p>	1 <input checked="" type="checkbox"/> All our qualified members	Continuous professional development requirements vary by provincial institute. All PICAs/Ordre have committed to meeting the IFAC standard by January 1, 2008.

Number	Question Title/Text/Help text	Answer	Comments
	the answer options that are appropriate.	<input type="checkbox"/> Qualified members who perform audits of listed entities <input type="checkbox"/> Qualified members who perform audits of entities other than listed entities <input type="checkbox"/> Qualified members who provide services (other than audit) to the public <input type="checkbox"/> Qualified members who are employed in business <input type="checkbox"/> Other (please describe)	
2.14.3.	Requirement - CPD		
2.14.3.1.	<i>Type of CPD Requirement</i> Which of the following answer options describes the way the continuous professional development is structured? Select all the answer options that are appropriate.	<input checked="" type="checkbox"/> Members must satisfy a number of hours of continuous professional development a year or over a number of years <input type="checkbox"/> All members are to satisfy specified content requirements (e.g. specified courses or knowledge content) <input type="checkbox"/> Members working in	Continuous professional development requirements vary by provincial institute. All PICAs/Ordre have committed to meeting the IFAC standard by January 1, 2008.

Number	Question Title/Text/Help text	Answer	Comments
		specialist areas or areas of high risk to the public are to satisfy specified content requirements (e.g. specified courses or knowledge content)	
2.14.3.3.	<i>Hours of Continuous Professional Development</i> Which one of the following answer options best describes the continuous professional development hours required?	4 <input type="checkbox"/> Other 1 <input type="radio"/> Members have to complete a minimum of 120 hours or equivalent learning units of relevant professional development activity over a three-year rolling period. 2 <input checked="" type="radio"/> Members have to complete a minimum of 20 hours or equivalent learning units in each year 3 <input type="radio"/> Other	The number of continuous professional development hours required varies by provincial institute. However, most PICAs/Ordre require a minimum of 20 hours annually. All PICAs/Ordre have committed to meeting the IFAC standard by January 1, 2008.
2.14.3.8.	<i>Monitoring of CPD</i> Is there a process to monitor whether your members who are qualified as professional accountants meet the	1 <input checked="" type="radio"/> Yes, there is a monitoring process for CPD requirements	Continuous professional development requirements vary by provincial institute. All PICAs/Ordre have committed to meeting the

Number	Question Title/Text/Help text	Answer	Comments
	continuous professional development requirements?	2 <input type="radio"/> No, there is no monitoring process for CPD requirements	IFAC standard by January 1, 2008.
2.14.4.	Monitoring of CPD Requirement		
2.14.4.1.	<i>Monitoring Process SMO 2</i> Which of the following elements does the monitoring process include? Select all the answer options that are appropriate.	1 <input checked="" type="checkbox"/> Professional accountants are required to submit a declaration 2 <input type="checkbox"/> Professional accountants are required to submit evidence 3 <input checked="" type="checkbox"/> Our organization audits a sample of professional accountants to check compliance 4 <input type="checkbox"/> Compliance is monitored through firm quality control standards 5 <input type="checkbox"/> Compliance is monitored through a quality assurance review program 6 <input type="checkbox"/> Other (please describe) 7 <input type="checkbox"/> None of the above	Continuous professional development requirements vary by provincial institute. All PICAs/Ordre have committed to meeting the IFAC standard by January 1, 2008.

Number	Question Title/Text/Help text	Answer	Comments
2.14.4.2.	<i>Declaration and CPD SMO 2</i> Describe the matters addressed in the declaration (select all that apply):	<input type="checkbox"/> Professional accountant's obligation to meet ethical obligations <input type="checkbox"/> Professional accountant's obligation to maintain knowledge <input type="checkbox"/> Professional accountant's obligation to maintain skills to perform competently <input checked="" type="checkbox"/> Compliance with CPD requirement <input type="checkbox"/> Other (please describe)	Continuous professional development requirements vary by provincial institute. All PICAs/Ordre have committed to meeting the IFAC standard by January 1, 2008.
2.14.4.3.	<i>Sanctions SMO 2</i> Where a professional accountant does not satisfy the CPD requirements (within a reasonable period of encouraging the professional accountant to meet the requirements), are sanctions or other non-compliance actions, such as expulsion or denial of the right to practice, imposed?	<input checked="" type="radio"/> Yes, sanctions or actions for non-compliance are imposed <input type="radio"/> No, sanctions or other non-compliance actions are not imposed	Continuous professional development requirements vary by provincial institute. All PICAs/Ordre have committed to meeting the IFAC standard by January 1, 2008.
2.14.4.4.	<i>Sanction Types and CPD</i> Describe the nature and extent of the sanction, expulsions or denial of the	Bylaws provide for members suspension if report not filed	Continuous professional development requirements vary by provincial institute. All

Number	Question Title/Text/Help text	Answer	Comments
	right to practice.	or the CPD requirement is not met. In some cases the bylaws will also allow for expulsion.	PICAs/Ordre have committed to meeting the IFAC standard by January 1, 2008.
2.15.	<i>Activities to Promote IESs SMO 2</i> Please describe the activities your organization undertakes to promote and assist in implementing the pronouncements issued by IFAC's International Accounting Education Standards Board.	<p>We believe that the education and examination standards currently applicable to Canadian Chartered Accountants meet or exceed the requirements set out in the IESs. The Canadian CA profession is committed to meeting the IFAC CPD requirements by the effective date of January 1, 2008.</p> <p>The CICA ensures that all the PICAs/Ordre are aware of all the pronouncements issued by IFAC's International Accounting Education Standards Board.</p>	
3.	SMO 3		
3.1.	<i>Auditing Standards in Law/Regulation</i> Does law or regulation establish the set	1 <input checked="" type="checkbox"/> Yes for audits of listed	

Number	Question Title/Text/Help text	Answer	Comments
	<p>of auditing standards to be used in the audit of private sector listed entities and non-listed entities? Select all the answer options that are appropriate.</p> <p>Where the law / regulation establishes the auditing standards to be used by reference to the set of standards to be used by their name or by including the text of the standards in the law / regulation, please respond "yes" to this question. Section 3.8. of this module includes questions about the law / regulation.</p> <p>Where the law / regulation gives authority to a national standard-setter to establish the auditing standards, please respond "no". Section 3.2. of this module includes questions about the standard-setter and the auditing standards that are established.</p>	<p>entities</p> <p>2 <input checked="" type="checkbox"/> Yes for audits of non-listed entities</p> <p>3 <input type="checkbox"/> No for audits of listed entities</p> <p>4 <input type="checkbox"/> No for audits of non-listed entities</p>	
3.8.	Law/Reg and Auditing Standards		
3.8.1.	<i>Law/Reg Auditing Standards - Private</i>		

Number	Question Title/Text/Help text	Answer	Comments
	<p><i>Sector</i> Is there only one set of auditing standards or are the auditing standards applicable to listed entities different from non-listed entities?</p>	<p>1 <input checked="" type="radio"/> The auditing standards for listed entities and non-listed entities are the same set of standards</p> <p>2 <input type="radio"/> The auditing standards for listed entities and non-listed entities are not the same set of standards</p>	
3.8.2.	<p><i>Auditing Standards for Private Sector</i> Does the law/regulation require the use of IAASB pronouncements? Select the answer option that is most appropriate.</p>	<p>1 <input type="radio"/> The law/regulation simply refers to IAASB pronouncements as the auditing standards (without bringing in the full or partial text of individual IAASB pronouncements)</p> <p>2 <input type="radio"/> The law/regulation contains the full text of each IAASB pronouncement</p> <p>3 <input type="radio"/> The law/regulation contains the basic principles and essential procedures of the IAASB pronouncement</p>	

Number	Question Title/Text/Help text	Answer	Comments
		<p>4 <input type="radio"/> The law / regulation has a requirement to use IAASB pronouncements using another approach (please describe)</p> <p>5 <input checked="" type="radio"/> The law / regulation requires the use of national standards with no reference to IAASB pronouncements</p>	
3.8.5.	<p><i>National Auditing Standards</i> Provide the name of the national auditing standards and other authoritative pronouncements established by law/regulation.</p>	<p>Generally accepted auditing standards as set out in the Handbook of the Canadian Institute of Chartered Accountants.</p>	<p>See for example regulations to the Canada Business Corporations Act, Part 8, sections 70 and 71.1. Reg. 71.1(1) states that "... the auditor's report referred to in section 169 of the Act shall be prepared in accordance with Canadian GAAS." Reg. 70 states that "'Canadian GAAS' means generally accepted auditing standards as set out in the Handbook of the Canadian Institute of Chartered Accountants, as amended from time to time."</p> <p>Provincial corporations acts and provincial securities acts have similar descriptions of the standards.</p>
3.8.8.	<p><i>MB Responsibilities National Standards SMO 3</i> Does your organization have</p>	<p>1 <input checked="" type="checkbox"/> Develop or assist in</p>	<p>It would be useful to review Section 5021,</p>

Number	Question Title/Text/Help text	Answer	Comments
	responsibility for any of the following activities? Select all the answer options that are appropriate.	developing the proposed standards as law / regulation	<p>Authority of Auditing and Assurance Standards and other guidance, contained in the CICA Handbook – Assurance. This Section provides guidance on the authority of Recommendations, explanatory material, interpretive publications and other auditing and assurance publications that a practitioner may refer to when performing an assurance engagement, or when providing related services. In addition to the Recommendations in the Handbook it also discusses other authoritative material such as the Assurance and Related Services Guidelines issued by the AASB and publications such as Risk Alert, which have been reviewed by CICA Auditing and Assurance Standards staff and therefore presumed to be appropriate.</p>
		2 <input checked="" type="checkbox"/> Develop other authoritative pronouncements	<p>For information on the development of auditing and assurance standards and guidelines one may refer to the CICA's website at www.cica.ca. On the website's homepage select Standards, then select Auditing and Assurance from the drop down menu, and finally select About AASB.</p>
		3 <input checked="" type="checkbox"/> Promulgate the auditing standards (e.g. by publishing or communicating the	

Number	Question Title/Text/Help text	Answer	Comments
		standards to the public) 4 <input type="checkbox"/> Other (please describe) 5 <input type="checkbox"/> None of the above	
3.8.10.	<i>Authoritative Pronouncements and Law/Reg SMO 3</i> Please state the name of the other authoritative pronouncements and describe their purpose.	Generally accepted auditing standards as set out in the Handbook of the Canadian Institute of Chartered Accountants.	
3.8.11.	<i>Describe Activities and Law/Reg SMO 3</i> Describe your organization's activities for promulgating and / or implementing the standards.	The CICA's Auditing and Assurance Standards Board (AASB) develops Canadian Generally Accepted Auditing Standards (GAAS), including guidelines. The CICA publishes the CICA Handbook-Assurance which contains the standards. CICA works with the Provincial Institutes/Ordre of Chartered Accountants and other bodies to develop information and training materials related to the standards. The CICA publishes a Professional	

Number	Question Title/Text/Help text	Answer	Comments
		Engagement Manual (PEM) used by thousands of practitioners with small practices – the PEM is regularly updated to reflect new standards.	
3.8.13.	<p><i>National Standards and Convergence SMO 3</i></p> <p>Please describe the activities your organization has undertaken to promote the IAASB pronouncements to the relevant government or regulatory body that sets national standards. Include in your explanation descriptions of any specific activities and the outcome.</p>	<p>In its Invitation to Comment entitled “Auditing and Assurance Standards in Canada – Maintaining High Standards in a Global Environment – A New Standard Setting Approach” the AASB announced its intention, subject to input from stakeholders, to converge with the ISAs. (This document can be found on the CICA’s website at www.cica.ca under standards – auditing and assurance.) Under this strategy, the AASB would commence, in September 2006, to pursue full convergence with the ISAs, recognizing that transition</p>	<p>The detailed comparison has been included in this response; however, readers are asked to review the CICA’s website for updated information. See further below for the comparative information.</p>

Number	Question Title/Text/Help text	Answer	Comments
		<p>will take a number of years. The AASB has already converged with major ISAs such as those related to audit risk, fraud, planning and documentation. A detailed “Comparison of International Standards on Auditing and Canadian GAAS can be found at the web site noted above.</p>	
3.11.	<p><i>Activities to Promote IAASB Pronouncements</i> Please describe the activities your organization undertakes to promote and assist in the implementation of IAASB pronouncements and other IAASB activities.</p>	<p>In its Invitation to Comment entitled “Auditing and Assurance Standards in Canada – Maintaining High Standards in a Global Environment – A New Standard Setting Approach” the AASB announced its intention, subject to input from stakeholders, to converge with the ISAs. (This document can be found on the CICA’s website at www.cica.ca under standards – auditing and assurance.) Under this</p>	

Number	Question Title/Text/Help text	Answer	Comments
		<p>strategy, the AASB would commence, in September 2006, to pursue full convergence with the ISAs, recognizing that transition will take a number of years. The AASB has already converged with major ISAs such as those related to audit risk, fraud, planning and documentation. A detailed “Comparison of International Standards on Auditing and Canadian GAAS can be found at the web site noted above.</p>	
4.	SMO 4		
4.1.	Responsibility and National Ethical Requirements		
4.1.1.	<p><i>IFAC MB and Ethical Requirements</i> Does your organization establish ethical requirements (e.g. code of ethics, code of conduct, ethics rules, member regulations, etc.) to be complied with by your members?</p>	<p>1 ☉ Yes, our organization does establish ethical requirements</p>	<p>The CICA, as the Canadian CA profession’s member body of IFAC, has answered question 4.1.1 “Yes” although this technically is not correct. CICA has answered “yes” because it believes that by so doing and by providing detailed comments, it will provide users of this document with a clearer picture of the ethics environment and the investigation and discipline systems that apply to Canadian Chartered</p>

Number	Question Title/Text/Help text	Answer	Comments
			<p>Accountants.</p> <p>All Chartered Accountants (including those in public practice, business and the public sector) are subject to the Rules of Professional Conduct established by the Provincial Institutes/Ordre of Chartered Accountants (PICAs/Ordre). HOWEVER, SOLELY FOR THE PURPOSES OF PROVIDING ANSWERS FOR THIS QUESTIONNAIRE, THE CICA WILL RESPOND AS THOUGH IT, RATHER THAN THE PICAs/ORDRE, SET THE ETHICAL STANDARDS AND CONDUCTED THE INVESTIGATION AND DISCIPLINE OF MEMBERS. To provide greater detail where this appears useful, the CICA will attempt to provide information related to the four largest PICAs/Ordre which are those in Ontario, Quebec, British Columbia and Alberta.</p> <p>The PICAs/Ordre derive their powers, including the power to set and enforce (through investigation and discipline) standards of ethics, from a provincial statute in their jurisdiction.</p> <p>The Rules of Professional Conduct have been harmonized in Canada to the extent possible. The Rules of Professional Conduct of the Ontario Institute of Chartered Accountants provide an example of the Rules in force throughout the</p>

Number	Question Title/Text/Help text	Answer	Comments
	<p>Help text:</p>	<p>20 No, our organization</p>	<p>country. The ICAO's Rules of Professional Conduct may be found at: http://www.icao.on.ca</p> <p>Because the legislation in Quebec is based on the civil law approach and because of certain other differences in the Quebec legal environment, the Rules of Ethics for CAs in Quebec may differ somewhat in the drafting. The Quebec CA Act and the Quebec Ordre's Rules of Ethics may be found at: http://ocaq.qc.ca/ang</p> <p>The Institute of Chartered Accountants of British Columbia (ICABC) has a similar set of Rules of Professional Conduct as other provincial institutes with some exceptions (e.g. cooperation with a successor). The ICABC's rules of professional conduct can be found at: http://www.ica.bc.ca/kb.php3?catid=624</p> <p>For Chartered Accountants in Canada the Provincial Institutes of Chartered Accountants/Ordre des comptables agréés du Québec (PICAs/Ordre) are responsible for investigation and discipline. Each PICA has created a committee (or committees) to handle the investigation and discipline functions. (N.B. In Quebec it is the "Syndic" at the Ordre who is responsible for these matters.)</p>

Number	Question Title/Text/Help text	Answer	Comments
	<p>In some countries, ethical requirements may be established on a regional, provincial, or state basis. Where this is the case in your country for the ethical requirements that apply to your members, please contact Compliance Staff for further instruction.</p>	<p>does not establish ethical requirements</p>	
<p>4.1.2.</p>	<p><i>IFAC MB and Convergence with IFAC Code</i> Has your organization implemented convergence with the IFAC Code of Ethics as an objective?</p>	<p>1 <input checked="" type="radio"/> Yes 2 <input type="radio"/> No</p>	<p>The current Rules of Professional Conduct and related Council Interpretations currently in force in Canada address same ethics principles as the IFAC Code. In substantially all respects, they meet the spirit and intent of the IFAC Code, exceed its rigour and are no less stringent. The “Threats and Safeguards” approach has been adopted for the Independence requirements and will be adopted for the other ethics requirements at the earliest appropriate time.</p>
<p>4.1.9.</p>	<p><i>IFAC MB Approach to Ethics</i> Which of the following options best describes your organization's activities to incorporate the IFAC Code?</p> <p>For the purposes of the Part 2 SMO 4 module, modifications include: Deletion/omission of concepts, principles, or guidance that are established in the IFAC Code;</p>	<p>1 <input type="radio"/> Our organization adopted the IFAC Code as issued without modifications</p>	

Number	Question Title/Text/Help text	Answer	Comments
	<p>Inclusion of concepts, principles, or guidance that are not in the IFAC Code; Other amendments that give rise to differences between your organization's ethical requirements and the IFAC Code.</p>	<p>2○ Our organization adopted the IFAC Code but with modifications</p> <p>3⊙ Our organization has developed our own ethical requirements with a process to eliminate differences between our ethical requirements and the IFAC Code</p> <p>4○ Our organization develops our own ethical requirements and uses another approach to incorporate the IFAC Code of Ethics</p>	
4.1.10.	<p><i>IFAC MB and Code - Eliminate Differences</i> Describe the process used to adopt the IFAC Code or the process used to</p>	<p>A committee of the CICA Board in consultation with</p>	

Number	Question Title/Text/Help text	Answer	Comments
	eliminate differences between your organization's ethical requirements and the IFAC Code.	the Council of Senior Executives of the CA Institutes/Ordre in Canada is currently considering how to best incorporate the threats and safeguards approach (see comments above) into the existing Rules of Professional Conduct. It is believed that the current Rules of Professional Conduct, in substantially all respects, meet the spirit and intent of the IFAC Code, exceed its rigour and are no less stringent.	
4.2.	MB and Version of IFAC Code		
4.2.1.	<i>Version of IFAC Code</i> Which version of the IFAC Code was adopted or used as the basis for your organization's ethical requirements?	1 <input checked="" type="radio"/> The IFAC Code currently in effect, revised and issued in June 2004	None of the possible answers provided here is accurate in the context of the Rules of Professional Conduct applicable to Chartered Accountants in Canada since these rules were not based on any version of IFAC's Code of Conduct. The Rules of Professional Conduct in Canada were developed and refined over many years by the provincial institutes/ordre of chartered accountants. When refinements to the Rules were being formulated, the PICAs/Ordre considered

Number	Question Title/Text/Help text	Answer	Comments
		<p>2○ A version issued prior to 2004</p> <p>3○ The revised IFAC Code issued and in effect June 30, 2006</p>	<p>other appropriate sources, such as the then existing IFAC Code, for input to their processes.</p>
<p>4.2.3.</p>	<p><i>MB and Revised Code</i></p> <p>Does your organization have plans to adopt the revised IFAC Code (effective June 30, 2006) or revise your ethical requirements to incorporate the revised IFAC Code? Select the option that is the most relevant.</p>	<p>1○ Our organization has already amended our ethical requirements for the revised IFAC Code (effective June 30, 2006)</p> <p>2○ Our organization is in the process of amending or has included a plan to amend our ethical requirements for the revised IFAC Code (effective June 30, 2006)</p> <p>3○ Our organization currently has not included in our work program a plan to amend our ethical requirements for the revised IFAC Code</p>	<p>See the answer to question 4.1.2.</p>

Number	Question Title/Text/Help text	Answer	Comments
		(effective June 30, 2006)	
		4 <input checked="" type="radio"/> Other (please describe)	
4.3.	<p><i>Ethical Requirements by Gov / Reg Bodies</i></p> <p>In addition to the ethical requirements established by your organization, are there also laws or regulations that set out ethical requirements to be complied with by your members?</p>	1 <input type="radio"/> Yes	<p>However, it should be noted that, for example, federal and provincial financial institutions legislation and companies acts do contain some independence requirements for auditors.</p> <p>For example, the Canada Business Corporations Act provides :</p> <p>161. (1) Subject to subsection (5), a person is disqualified from being an auditor of a corporation if the person is not independent of the corporation, any of its affiliates, or the directors or officers of any such corporation or its affiliates.</p> <p>(2) For the purposes of this section, (a) independence is a question of fact; and (b) a person is deemed not to be independent if he or his business partner (i) is a business partner, a director, an officer or an employee of the corporation or any of its affiliates, or a business partner of any director, officer or employee of any such corporation or any of its affiliates, (ii) beneficially owns or controls, directly or</p>

Number	Question Title/Text/Help text	Answer	Comments
			<p>indirectly, a material interest in the securities of the corporation or any of its affiliates, or</p> <p>(iii) has been a receiver, receiver-manager, liquidator or trustee in bankruptcy of the corporation or any of its affiliates within two years of his proposed appointment as auditor of the corporation.</p> <p>(2.1) For the purposes of subsection (2), a person's business partner includes a shareholder of that person.</p> <p>(3) An auditor who becomes disqualified under this section shall, subject to subsection (5), resign forthwith after becoming aware of the disqualification.</p> <p>(4) An interested person may apply to a court for an order declaring an auditor to be disqualified under this section and the office of auditor to be vacant.</p> <p>(5) An interested person may apply to a court for an order exempting an auditor from disqualification under this section and the court may, if it is satisfied that an exemption would not unfairly prejudice the shareholders, make an exemption order on such terms as it thinks fit, which order may have retrospective effect.</p>

Number	Question Title/Text/Help text	Answer	Comments
		2 <input checked="" type="radio"/> No	<p>R.S., 1985, c. C-44, s. 161; 2001, c. 14, ss. 78, 135(E).</p> <p>As well, in Québec, the Professional Code, a statute of public order, contains ethical requirements to be complied with by the Ordre's members.</p>
4.5.	<p><i>Comparison of Requirements SMO 4</i> Does your organization have information that identifies any differences between the IFAC Code of Ethics currently in effect or the revised Code and the national ethical requirements? In responding to this question, differences include:</p> <p>Principles, concepts, and guidance in the IFAC Code that are not addressed in the national ethical requirements; Principles, concepts, and guidance in the IFAC Code that are not equivalent to the national ethical requirements; Principles, concepts, rules, regulations, laws, or other mandatory ethical requirements in national ethical requirements that are not addressed in the IFAC Code.</p> <p>The phrase "national ethical</p>	1 <input type="radio"/> Yes, our organization has this information and it will be submitted	<p>See the information provided in response to question 4.1.10.</p> <p>There is essentially no difference in the resultant member conduct.</p>

Number	Question Title/Text/Help text	Answer	Comments
	requirements" as used in this questionnaire refers to the totality of ethical requirements established by your organization and others including government and regulatory bodies that are applicable to your members.	<p>2○ This information will be submitted by another IFAC member body</p> <p>3⊙ No, the information is not available</p>	
4.6.	Fundamental Principles - National		
4.6.1.	Integrity - Principle		
4.6.1.1.	<p><i>Integrity</i></p> <p>Do the national ethical requirements require professional accountants to comply with the fundamental principle "integrity" as described in the revised IFAC Code?</p>	<p>1⊙ Yes, professional accountants are required to comply with the same principle</p> <p>2○ Yes, professional accountants are required to comply with a similar or equivalent principle</p> <p>3○ The same or similar / equivalent principle has not been established</p>	
4.6.1.2.	<i>Integrity Requirement</i>		

Number	Question Title/Text/Help text	Answer	Comments
	Is the principle set out in your organization's ethical requirements and / or in laws and regulations? Select all the answer options that are appropriate.	<p>1 <input checked="" type="checkbox"/> Our organization's ethical requirements</p> <p>2 <input type="checkbox"/> Law that regulates professional accountants and / or auditors</p> <p>3 <input type="checkbox"/> Securities regulation</p> <p>4 <input type="checkbox"/> Other laws and / or regulation</p>	<p>Rule 202, Integrity and Due Care, of the Rules of Professional Conduct.</p> <p>It might also be useful to see Rule 205, False or misleading documents and oral representations, of the Rules of Professional Conduct.</p> <p>Both Rules are set out in the answer to question 4.6.1.3.</p> <p>See also, Division II (entitled «Integrity») of the Code of Ethics of Chartered Accountants (Québec).</p>
4.6.2.	Objectivity - Principle		
4.6.2.1.	<p><i>Objectivity</i></p> <p>Do the national ethical requirements require professional accountants to comply with the fundamental principle "objectivity" as described in the revised IFAC Code?</p>	<p>1 <input checked="" type="radio"/> Yes, professional accountants are required to comply with the same principle</p> <p>2 <input type="radio"/> Yes, professional accountants are required to comply</p>	

Number	Question Title/Text/Help text	Answer	Comments
		<p>with a similar or equivalent principle</p> <p>3○ The same or similar / equivalent principle has not been established</p>	
4.6.2.2.	<p><i>Objectivity Requirement</i></p> <p>Is the principle set out in your organization's ethical requirements and / or in laws and regulations? Select all the answer options that are appropriate.</p>	<p>1☑ Our organization's ethical requirements</p> <p>2☐ Law that regulates professional accountants and / or auditors</p> <p>3☐ Securities regulation</p> <p>4☐ Other laws and / or regulation</p>	<p>The principle of Objectivity is in the Forward to the Rules of Professional Conduct. A subset of Objectivity - Independence - is set out in Rule 204, Independence, of the Rules of Professional Conduct.</p> <p>One should also consider Rule 210, Conflict of interest, of the Rules of Professional Conduct.</p>
4.6.3.	<p>Professional Competence / Due Care - Principle</p>		
4.6.3.1.	<p><i>Prof Competence / Due Care</i></p> <p>Do the national ethical requirements require professional accountants to comply with the fundamental principle "professional competence and due care" as described in the revised IFAC Code?</p>	<p>1○ Yes, professional accountants are required to comply with the same principle</p>	

Number	Question Title/Text/Help text	Answer	Comments
		2 <input type="radio"/> Yes, professional accountants are required to comply with a similar or equivalent principle 3 <input type="radio"/> The same or similar / equivalent principle has not been established	
4.6.3.2.	<i>Prof Competence / Due Care Req</i> Is the principle set out in your organization's ethical requirements and / or in laws and regulations? Select all the answer options that are appropriate.	1 <input checked="" type="checkbox"/> Our organization's ethical requirements 2 <input type="checkbox"/> Law that regulates professional accountants and / or auditors 3 <input type="checkbox"/> Securities regulation 4 <input type="checkbox"/> Other laws and / or regulation	Rule of Professional Conduct 202 "Integrity and due care," Rule of Professional Conduct 203.1 "Professional Competence" and Rule of Professional Conduct 206, "Compliance with professional standards." Also, Sections 6, 16, 17, 19, 50, 51, 53 of the Code of Ethics of Chartered Accountants (Québec).
4.6.4.	Confidentiality - Principle		
4.6.4.1.	<i>Confidentiality</i> Do the national ethical requirements require professional accountants to	1 <input checked="" type="radio"/> Yes, professional accountants are	

Number	Question Title/Text/Help text	Answer	Comments
	comply with the fundamental principle "confidentiality" as described in the revised IFAC Code?	required to comply with the same principle	
		2 <input type="radio"/> Yes, professional accountants are required to comply with a similar or equivalent principle	
		3 <input type="radio"/> The same or similar / equivalent principle has not been established	
4.6.4.2.	<p><i>Confidentiality Requirement</i></p> <p>Is the principle set out in your organization's ethical requirements and / or in laws and regulations? Select all the answer options that are appropriate.</p>	1 <input checked="" type="checkbox"/> Our organization's ethical requirements	<p>Rule 208, Confidentiality of information, of the Rules of Professional Conduct.</p> <p>See also, Division II.4 of the Code of Ethics of Chartered Accountants (Québec) (Québec).</p> <p>Chartered Accountants in Quebec, in addition to the professional requirement concerning confidentiality, must comply with the professional secrecy requirement contained in the Charter of human rights and freedoms, a statute of public order.</p> <p>The Professional Code, a statute of public order, also contains sections concerning the confidentiality.</p>

Number	Question Title/Text/Help text	Answer	Comments
		2 <input type="checkbox"/> Law that regulates professional accountants and / or auditors 3 <input type="checkbox"/> Securities regulation 4 <input checked="" type="checkbox"/> Other laws and / or regulation	
4.6.5.	Professional Behavior - Principle		
4.6.5.1.	<i>Professional Behavior</i> Do the national ethical requirements require professional accountants to comply with the fundamental principle "professional behavior" as described in the revised IFAC Code?	1 <input checked="" type="radio"/> Yes, professional accountants are required to comply with the same principle 2 <input type="radio"/> Yes, professional accountants are required to comply with a similar or equivalent principle 3 <input type="radio"/> The same or similar / equivalent principle has not been established	
4.6.5.2.	<i>Professional Behavior Requirement</i> Is the principle set out in your organization's ethical requirements and / or in laws and regulations? Select all the answer options that are appropriate.	1 <input checked="" type="checkbox"/> Our organization's ethical requirements	Rule 201, Maintenance of reputation of profession, Rule 205, False or misleading documents, Rule 213, Unlawful conduct, and Rule 217, Advertising and promotion, of the Professional Code of Conduct.

Number	Question Title/Text/Help text	Answer	Comments
		<input type="checkbox"/> 2 Law that regulates professional accountants and / or auditors <input type="checkbox"/> 3 Securities regulation <input type="checkbox"/> 4 Other laws and / or regulation	<p>The Code of Ethics of Chartered Accountants in Québec contains different requirements concerning the professional behavior (for example sections 5, 24, 63, 64, 65, 66, 67, 70).</p>
4.7.	Threats and Safeguards - National		
4.7.1.	<p><i>Threats and Safeguards</i> Do the national ethical requirements establish a framework or principle similar or equivalent to the threats and safeguards framework as described in the revised IFAC Code (effective June 30, 2006)? Select the answer option that is the most appropriate.</p>	<input type="radio"/> 1 Yes, our organization has a threats and safeguards framework or similar / equivalent framework in our ethical requirements <input type="radio"/> 2 Yes, a threats and safeguards framework or similar / equivalent framework is in the ethical requirements established in law and / or regulation <input checked="" type="radio"/> 3 No, a threats and safeguards framework,	<p>The threats and safeguards framework has been established for the Canadian profession's independence requirements.</p> <p>The threats and safeguards framework has not yet been established for the other ethics requirements.</p>

Number	Question Title/Text/Help text	Answer	Comments
		<p>or similar / equivalent framework has not been established in the national ethical requirements</p>	
4.7.2.	<p><i>Threats and Safeguards Follow Up</i> Please explain whether your organization plans to introduce the "threats and safeguards" concept into the ethical requirements.</p> <p>Where there are no plans to introduce this concept, please describe the special challenges, impediments, or conditions that are relevant to this matter.</p>	<p>Rule of Professional Conduct 204, Independence, incorporates the threats and safeguards framework relating to members/firms practicing public accounting.</p> <p>See as well the information provided in response to questions 4.1.2 and 4.1.10.</p>	
4.8.	Ethical Behavior Resolution		
4.8.1.	<p><i>Identifying and Resolving Unethical Behavior</i> Are there specific requirements and guidance provided to assist your members in identifying and resolving ethical matters? Select all of the answer option that are appropriate.</p>	<p>1 <input checked="" type="checkbox"/> Yes, our organization has developed requirements for identifying and resolving ethical matters</p> <p>2 <input type="checkbox"/> Yes, government, regulatory, or oversight bodies have developed requirements for</p>	

Number	Question Title/Text/Help text	Answer	Comments
		identifying and resolving ethical matters 3 <input type="checkbox"/> No, there is no such requirements or guidance	
4.8.2.	<i>MB and Ethical Conflict Resolution</i> Are the ethical conflict resolution requirements and guidance adopted from the IFAC Code or similar / equivalent to the guidance in the Code? Select the answer option that is the most appropriate.	1 <input type="radio"/> Yes, the requirements and guidance are adopted from the IFAC Code 2 <input type="radio"/> Yes, the IFAC Code was used as a model in developing the requirements 3 <input checked="" type="radio"/> Yes, the requirements are similar / equivalent to the IFAC Code 4 <input type="radio"/> No, the requirements differ from the IFAC	Rule of Professional Conduct 210, Conflict of Interest, is similar to the IFAC Code but is applicable only to members in public practice. The conflict of interest requirements in Canada contain significant guidance which reflects the several recent high level court decisions affecting these members. There is, as well, a great deal of jurisprudence dealing with conflict of interest for all members. While we have answered that "the requirements are similar", we should note that they are significantly more expansive.

Number	Question Title/Text/Help text	Answer	Comments
		Code	
4.9.	Independence and Threats So Significant		
4.9.1.	<p><i>Provisions and Threats to Independence</i></p> <p>The "SMO 4: Provisions Relating to Threats to Independence" report refers to specific provisions of Section 290 of the revised IFAC Code of Ethics that are currently in effect. Section 290 requires members of assurance teams, firms, and when applicable, network firms be independent of assurance clients and describes specific circumstances that may give rise to threats to independence.</p> <p>Where Section 290 is applicable to your members, the SMO 4 Comparison of Threats to Independence.doc SMO 4: Provisions Relating to Threats to Independence report should be completed and submitted to Compliance Staff. Alternatively, where this information is available in another format it can be submitted instead of the report. Select the option below to confirm the information to be submitted.</p>	<p>1 <input checked="" type="radio"/> Our organization will complete the "SMO 4: Provisions Relating to Threats to Independence" report</p>	

Number	Question Title/Text/Help text	Answer	Comments
	<p>Help text: Section 290 of the revised Code of Ethics is currently in effect. Section 290 describes specific provisions that may give rise to threats to independence that are so significant, no safeguards are available to reduce the threat to an acceptable level. For some provisions the Code describes the actions that are available to address the threat.</p>	<p>2○ Our members provide assurance services; however, another IFAC member body will complete the "SMO 4; Provisions Relating to Threats to Independence" report or provide the relevant information to Compliance Staff.</p> <p>3○ Our members do not provide assurance services; therefore, Section 290 and the Provisions Relating to Threats to Independence is not applicable to our organization.</p>	
4.10.	National Ethical Requirements - Other		
4.10.1.	National - Prof Accountants		
4.10.1.1.	<p><i>National Additional - Prof Accountants</i> Are there rules, regulations, laws, or other mandatory ethical requirements established by your organization, government, regulatory or other bodies that your members must comply with but are not addressed in the revised</p>	<p>1○ Yes</p>	<p>See the information provided in response to question 4.1.10.</p> <p>Any principles, concepts and guidance that require compliance by the members will be identified and addressed. For example, Rule of</p>

Number	Question Title/Text/Help text	Answer	Comments
	IFAC Code (effective June 30, 2006)?	2○ No	Professional Conduct 101 Compliance with bylaws, regulations and rules states: "Members, students and firms shall comply with the bylaws, regulations and rules of professional conduct of the Institute as they may be from time to time and with any order or resolution of the Council or officers of the Institute under the bylaws."
4.10.1.2.	<i>National Conflicts - Prof Accountants</i> Are there principles, concepts, and guidance in the revised IFAC Code (effective June 30, 2006) that conflict with national ethical requirements applicable to your requirements?	1⊙ Yes 2○ No	See the information provided in response to question 4.1.10. Any principles, concepts and guidance that conflict will be identified and addressed.
4.10.1.3.	<i>National Comparison - Prof Accountants</i> Please provide a general description about the additional national ethical requirements or conflicts with the revised IFAC Code. This information may be submitted as a separate document to Compliance Staff.	See the information provided in response to question 4.1.10. Any principles, concepts and guidance that require compliance by the members or conflict with the IFAC Code will be identified and addressed.	
4.10.2.	National - Public Practice		
4.10.2.1.	<i>National Additional - Public Practice</i>		

Number	Question Title/Text/Help text	Answer	Comments
	<p>Are there rules, regulations, laws, or other mandatory ethical requirements established by your organization, government, regulatory or other bodies that are applicable to your members who are professional accountants in public practice that are not addressed in the revised IFAC Code (effective June 30, 2006)?</p>	<p>1 <input type="radio"/> Not applicable as our members do not operate as professional accountants in public practice</p> <p>2 <input checked="" type="radio"/> Yes</p> <p>3 <input type="radio"/> No</p>	
4.10.2.2.	<p><i>National Conflicts - Public Practice</i> Are there principles, concepts, and guidance in the revised IFAC Code (effective June 30, 2006) that conflict with national ethical requirements applicable to your members who are professional accountants in public practice?</p>	<p>1 <input type="radio"/> Not applicable as our members do not operate as professional accountants in public practice</p> <p>2 <input type="radio"/> Yes</p> <p>3 <input checked="" type="radio"/> No</p>	
4.10.2.3.	<p><i>National Comparison - Public Practice</i> Please provide a general description about the additional national ethical requirements or conflicts with the revised IFAC Code. This information may be submitted as a separate document to Compliance Staff.</p>	<p>See the information provided in response to question 4.1.10.</p> <p>Any principles, concepts and guidance that require compliance by the members or conflict with the IFAC</p>	

Number	Question Title/Text/Help text	Answer	Comments
			Code will be identified and addressed.
4.10.3.	National - Business		
4.10.3.1.	<p><i>National Additional - Business</i></p> <p>Are there rules, regulations, laws, or other mandatory ethical requirements established by your organization, government, regulatory or other bodies that are applicable to your members who are professional accountants in business that are not addressed in the revised IFAC Code (effective June 30, 2006)?</p>	<p>1 <input type="radio"/> Not applicable as our members do not operate as professional accountants employed in business</p> <p>2 <input type="radio"/> Yes</p> <p>3 <input checked="" type="radio"/> No</p>	
4.10.3.2.	<p><i>National Conflicts - Business</i></p> <p>Are there principles, concepts, and guidance in the revised IFAC Code (effective June 30, 2006) that conflict with national ethical requirements applicable to your members who are professional accountants employed in business?</p>	<p>1 <input type="radio"/> Not applicable as our members do not operate as professional accountants employed in business</p> <p>2 <input checked="" type="radio"/> Yes</p> <p>3 <input type="radio"/> No</p>	
4.10.3.3.	<p><i>National Comparison - Business</i></p> <p>Please provide a general description about the additional national ethical requirements or conflicts with the</p>		See the information provided in response to question 4.1.10.

Number	Question Title/Text/Help text	Answer	Comments
	revised IFAC Code. This information may be submitted as a separate document to Compliance Staff.		
4.11.	<p><i>Translation of IFAC Code</i> Has your organization or others (e.g. government or regulatory body) translated the IFAC Code (in effect) or earlier versions of the Code? Select all the answer options that are appropriate.</p>	<p>1 <input checked="" type="checkbox"/> No, as English is an official language or widely spoken language</p> <p>2 <input type="checkbox"/> Yes, our organization has translated the IFAC Code</p> <p>3 <input type="checkbox"/> Yes, a government, regulatory, or other body has translated the IFAC Code</p> <p>4 <input type="checkbox"/> No, the IFAC Code has not been translated and English is not an official language or widely spoken language</p>	
4.15.	<p><i>Activities to Promote IFAC Code of Ethics</i> Please describe the activities your organization undertakes to promote and assist in implementing the pronouncements (e.g. IFAC Code of Ethics) and work of IFAC's</p>	<p>It is believed that the current Rules of Professional Conduct, in substantially all respects, meet the spirit and intent of the IFAC Code,</p>	

Number	Question Title/Text/Help text	Answer	Comments
	International Ethics Standards Board for Accountants.	<p>exceed its rigour and are no less stringent. New changes are drafted with the IFAC Code as a model or guide as appropriate, and are presented to the membership for required member approval. The Rules of Professional Conduct are promoted to members through publication. Rule of Professional Conduct 101 Compliance with bylaws, regulations and rules states: "Members, students and firms shall comply with the bylaws, regulations and rules of professional conduct of the Institute as they may be from time to time and with any order or resolution of the Council or officers of the Institute under the bylaws."</p>	
5.	SMO 5		
5.1.	<p><i>Public Sector Accounting Standards - Objective</i> Has the federal government / national government established convergence with International Public Sector</p>	1 <input type="radio"/> Yes	

Number	Question Title/Text/Help text	Answer	Comments
	Accounting Standards (IPSASs) as an objective?	<input checked="" type="radio"/> No <input type="radio"/> Information is not available or not known	
5.2.	IPSASs Convergence Follow Up		
5.2.1.	<i>Public Sector Accounting Standards - Cash/Accrual</i> Do the national public sector accounting standards require financial statements to be prepared on a cash basis or accrual basis?	<input type="radio"/> Cash <input checked="" type="radio"/> Accrual <input type="radio"/> Both cash and accrual are permitted	
5.2.2.	<i>Convergence Plans Follow Up SMO 5</i> Does the government have plans to converge national public sector accounting standards with IPSASs?	<input type="radio"/> Yes	In Canada the Public Sector Accounting Board (PSAB) issues standards and guidance with respect to matters of accounting in the public sector. The CICA Public Sector Accounting (PSA) Handbook applies to federal, provincial, territorial and local governments and is the primary source of generally accepted accounting principles (GAAP) for them. The PSAB's rules of membership and Terms of Reference are approved by the Accounting Standards Oversight Council (AcSOC). Both PSAB and AcSOC are non-governmental bodies whose activities are funded by the CICA.

Number	Question Title/Text/Help text	Answer	Comments
		<p style="text-align: center;">2 <input checked="" type="radio"/> No 3 <input type="radio"/> Information is not available or not known</p>	<p>Although the PSAB has no legal authority to set accounting standards for the public sector, the federal and provincial governments and two of the territorial governments voluntarily apply PSAB's standards. Indeed, in one Canadian province, British Columbia, the provincial legislature has passed legislation that requires compliance with PSAB's standards. Governments in Canada retain, however, their sovereign right to determine the basis of accounting that they will apply.</p> <p>One of PSAB's goals is to promote congruence with other standard setters in establishing generally accepted accounting standards. To that end, PSAB provides in-depth technical support to Canada's member of the IPSASB.</p>
5.4.	<p><i>Activities to Promote IPSASB Pronouncements</i> Please describe the activities your organization undertakes to promote pronouncements issued by the International Public Sector Accounting Standards Board. Please provide an explanation where such activities have not been undertaken because they are</p>	<p>PSAB undertakes activities on several fronts in the promotion of IPSAS pronouncements:</p> <p>1) PSAB is very cognizant of the desire for an</p>	

Number	Question Title/Text/Help text	Answer	Comments
	not within the scope of your organization's objectives or work program.	<p>internationally accepted set of accounting standards. At a strategic level PSAB has stated that a key way it can fulfill its mission of serving the public interest is contributing to the development of such standards. As discussed below, PSAB also undertakes a number of activities at an operational level which promote pronouncements issued by the IPSASB.</p>	
		<p>2) Generally speaking, PSAB's Public Sector Accounting Handbook is conceptually aligned with the IPSAS Handbook. Having a similar platform better enables the development of standards that support the objectives of the IPSASB. A conceptual issue for the Public Sector Accounting Handbook is the absence of a definition of revenue with supporting recognition and</p>	

Number	Question Title/Text/Help text	Answer	Comments
		<p>measurement guidance. This is planned to be addressed using IPSAS material - see (4) below.</p> <p>3) Despite no.2 above, when developing/revising standards, a mandatory step is reviewing any existing IPSAS material and determining its applicability. Any variations to an IPSAS must be justified by better meeting the decision making and accountability needs of Canadian users.</p> <p>4) PSAB is developing a general 'revenue' standard using the IPSASB's revenue project as its basis. For those areas of the IPSAS revenue project that come within the scope of the PSAB project, PSAB plans to use that material as the primary source for the development of its own project material. PSAB is open to applying this approach to its future</p>	

Number	Question Title/Text/Help text	Answer	Comments
		<p>projects where possible.</p> <p>5) PSAB staff regularly give presentations across Canada on public sector accounting developments. A component of these presentations involves specific developments with the IPSASB.</p>	
6.	SMO 6		
6.1.	<p><i>Investigation and Discipline Program</i> In your jurisdiction is there a program for investigating and disciplining members of your organization for misconduct, including breaches of professional standards and rules?</p>	<p>1 <input checked="" type="radio"/> Yes</p> <p>2 <input type="radio"/> No</p>	<p>See, as well, the answer to question 6.3.1.</p> <p>It should be noted that in Quebec the responsibility for investigating complaints from the public about Chartered Accountants resides with the Syndic of the Ordre des comptables agréés du Québec. The Syndic's powers and responsibilities are set out in a public statute, the Professional Code.</p>
6.3.	Responsibility for Investigation and Discipline		
6.3.1.	<p><i>Body Responsible for Investigation and Discipline</i> Is your organization responsible for investigation and discipline of misconduct, including breaches of</p>	<p>1 <input checked="" type="radio"/> Yes, our organization has this responsibility</p>	<p>The CICA, as the Canadian CA profession's member body of IFAC, has answered question 6.3.1 "Yes" although this technically is not</p>

Number	Question Title/Text/Help text	Answer	Comments
	<p>professional standards and rules by its individual members (and, if local laws and practices permit, by firms)? Select the answer option that is most appropriate.</p>		<p>correct. CICA has answered “yes” because it believes that by so doing and by providing detailed comments, it will provide users of this document with a clearer picture of the ethics environment and the investigation and discipline systems that apply to Canadian Chartered Accountants.</p> <p>All Chartered Accountants (including those in public practice, business, teaching and the public sector) are subject to the Rules of Professional Conduct established by the Provincial Institutes/Ordre of Chartered Accountants (PICAs/Ordre). HOWEVER, SOLELY FOR THE PURPOSES OF PROVIDING ANSWERS FOR THIS QUESTIONNAIRE, THE CICA WILL RESPOND AS THOUGH IT, RATHER THAN THE PICAs/ORDRE, SET THE ETHICAL STANDARDS AND CONDUCTED THE INVESTIGATION AND DISCIPLINE OF MEMBERS. To provide greater detail where this appears useful, the CICA will attempt to provide information related to the four largest PICAs/Ordre which are those in Ontario, Quebec, British Columbia and Alberta.</p> <p>The PICAs/Ordre derive their powers, including the power to set and enforce (through investigation and discipline) standards of ethics, from a provincial statute in their jurisdiction.</p>

Number	Question Title/Text/Help text	Answer	Comments
			<p>The Rules of Professional Conduct applied by the provincial bodies have been harmonized to the extent possible. The Rules of Professional Conduct of the Ontario Institute of Chartered Accountants provide an example of the Rules in force throughout the country. The ICAO's Rules of Professional Conduct may be found at: http://www.icao.on.ca</p> <p>Because the legislation in Quebec is based on the civil law approach and because of certain other differences in the Quebec legal environment, the Rules of Ethics for CAs in Quebec may differ in the drafting. The Quebec CA Act and the Quebec Ordre's Rules of Ethics may be found at: http://ocaq.qc.ca/ang</p> <p>The Institute of Chartered Accountants of British Columbia (ICABC) has a similar set of Rules of Professional Conduct as other provincial institutes with some exceptions (e.g. cooperation with a successor). The ICABC's rules of professional conduct can be found at: http://www.ica.bc.ca/kb.php3?catid=624</p> <p>For Chartered Accountants in Canada the Provincial Institutes of Chartered Accountants/Ordre des comptables agréés du Québec (PICAs/Ordre) are responsible for</p>

Number	Question Title/Text/Help text	Answer	Comments
			<p>investigation and discipline. Each PICA/Ordre has created a committee (or committees) to handle the investigation and discipline functions</p> <p>For example, the Institute of Chartered Accountants of Ontario (ICAO) carries out this responsibility through the activities of the Professional Conduct Committee and/or Discipline Committee.</p> <p>The ICABC is responsible for carrying out the investigation and discipline of misconduct by its members, students and firms through its Professional Conduct Enquiry Committee and Discipline Tribunal.</p> <p>In Alberta, the Institute of Chartered Accountants of Alberta (ICAA) is charged with investigating and, if appropriate disciplining, for conduct that contravenes the rules of professional conduct or practice standards. In Alberta investigation and screening complaints is performed by the CIC Chair and the Complaints Inquiry Committee. Discipline Tribunals are responsible for disciplining CAs PCs and public accounting firms (registrants).</p> <p>In Québec, it is the syndic and assistant syndics who carry out the responsibility of investigation. The Professional Code, a statute of public order,</p>

Number	Question Title/Text/Help text	Answer	Comments
		<p>2 <input type="radio"/> No, responsibility for investigation and discipline rests solely with an external body</p> <p>3 <input type="radio"/> Our organization shares responsibility for investigation and discipline with an external body</p> <p>4 <input type="radio"/> Other</p>	<p>confers them with broad powers to allow them to pursue their enquiries properly.</p>
6.5.	SMO 6 - Detailed Assessment		
6.5.1.	Rules and Procedures for Investigation and Discipline		
6.5.1.1.	<p><i>Rules and Procedures</i></p> <p>Does your organization establish in its constitution or rules the provisions and processes for the investigating and disciplining your members?</p>	<p>1 <input checked="" type="radio"/> Yes</p>	<p>The ICAO carries out this responsibility through the activities of the Professional Conduct Committee and/or Discipline Committee.</p> <p>The ICABC processes for investigation and discipline are contained in its enabling legislation and bylaws that govern the activities of the Professional Conduct Enquiry Committee and the Discipline Tribunal.</p> <p>In Alberta the Regulated Accounting Profession Act empowers and sets procedures for investigation and discipline of registrants.</p>

Number	Question Title/Text/Help text	Answer	Comments
		2 <input type="radio"/> No	In Québec, it is the Professional Code, a statute of public order, that establishes this process.
6.5.1.3.	<p><i>Misconduct</i> In your jurisdiction, which of the following are considered "misconduct" as described in SMO 6 paragraph 4? Select all the answer options that are appropriate.</p>	1 <input checked="" type="checkbox"/> Criminal activity	<p>Re #2 "Acts or omissions likely to bring the accountancy profession into disrepute" the ICABC commented:</p> <p>"These acts include conduct unbecoming that may not have occurred when the member was performing professional services."</p> <p>Re #5 "Gross professional negligence" the ICAA commented:</p> <p>"Likely but not specifically addressed"</p> <p>Re #8 Other" the ICAA commented:</p> <p>Additional definitions of "misconduct" in s. 91 of the Regulated Accounting Profession Act are conduct that displays a lack of competence and contravention of</p> <ul style="list-style-type: none"> - an order of a discipline tribunal, appeal tribunal or Court or an undertaking provided - a settlement agreement or sanction agreement under sections 73 or 74 respectively - failure to answer questions or cooperate in an investigation, hearing, practice review.

Number	Question Title/Text/Help text	Answer	Comments							
2	<input checked="" type="checkbox"/> Acts or omissions likely to bring the accountancy profession into disrepute	3	<input checked="" type="checkbox"/> Breaches of professional standards	4	<input checked="" type="checkbox"/> Breaches of ethical requirements	5	<input checked="" type="checkbox"/> Gross professional negligence	6	<input checked="" type="checkbox"/> A number of less serious instances of	<p>Re #8 Other" the Quebec Ordre commented:</p> <p>The bankruptcy of a member,</p> <p>Guilty according to the following laws:</p> <ul style="list-style-type: none"> - Criminal Code - Income Tax Act - Securities Act <p>- being struck off (the list) in another Canadian province or elsewhere if related to the practice of the profession</p> <p>- being struck off (the list) of another professional ordre to which the member belonged if related to the practice of the profession</p> <p>- sexual harassment</p>

Number	Question Title/Text/Help text	Answer	Comments
		professional negligence that, cumulatively, may indicate unfitness to exercise practicing rights 7 <input checked="" type="checkbox"/> Unsatisfactory work 8 <input checked="" type="checkbox"/> Other (please describe)	
6.5.2.	<i>Types of Sanctions</i> Which of the following actions can be imposed by those who judge such issues: Select all the answer options that are appropriate.	1 <input checked="" type="checkbox"/> Reprimand	Mandatory professional development; Supervised practice; Publication in local business press Re #6 "other" the ICAA also mentioned: - periodic inspections of practice, - undergo counselling with specific terms, - report on specified matter to the Council, - accept voluntary suspension or restriction of practice, - direct proof be provided that addiction has been overcome, - successfully complete courses and/or examinations, - direct public accounting firm to develop and implement quality control procedures or professional development policies, - increase the amount of professional liability insurance firm is required to carry, - direct payment of costs for complying with an order, - prohibit or restrict ability to train students,

Number	Question Title/Text/Help text	Answer	Comments
		<ul style="list-style-type: none"> 2☑ Loss or restriction of practice rights 3☑ Fine/payment of costs 4☑ Loss of professional title (designation) 5☑ Exclusion from membership 6☑ Other (please describe) 	<ul style="list-style-type: none"> - supervise how students are trained, - direct publication or posting of a decision, - publication to employer, - make any other order the discipline tribunal considers appropriate <p>Re #6 "other" the Quebec Ordre also noted: Publication in the publication of the Ordre.</p>
6.5.3.	Provision of Information and Guidance to Members		
6.5.3.1.	<p><i>Information and Guidance</i> Does your organization make each member fully aware of:</p> <ul style="list-style-type: none"> - All provisions of the ethical code and other applicable professional standards, rules and requirements (and any amendments), whether issued by IFAC or at the national level by the member body and - Consequences of non-compliance? 	1☉ Yes	See also comment above at 6.3.1.

Number	Question Title/Text/Help text	Answer	Comments
6.5.3.2.	<p><i>Information and Guidance Description</i> Provide a brief description of how your organization meets this requirement of SMO 6.</p>	<p style="text-align: center;">20 No</p> <p>The high standards of qualification for Canadian CAs involve both a demanding education program with a rigorous final examination and a significant period of prescribed practical experience under authorized supervision which includes accounting, assurance and auditing standards and the ethical code.</p>	<p>The ICAA noted that:</p> <p>The CICA Handbook is provided to all registrants.</p> <p>The Members Handbook which includes rules of professional conduct is provided to all registrants and is available on the website.</p> <p>All findings of unprofessional conduct are available to the public and members on the website.</p> <p>Articles dealing with rules of professional conduct are in every edition of Spotlight which is provided to members.</p> <p>Notice to each member where member has had practice restricted or registration has been cancelled or suspended."</p> <p>The ICABC noted that:</p> <p>"The ICABC keeps all members informed of all amendments to the Rules of Professional Conduct and Bylaws. Membership has to confirm all changes at the AGM.</p>

Number	Question Title/Text/Help text	Answer	Comments
6.5.4.	Obligations to Report to Outside Bodies		<p>Training courses are held for all complex rule changes e.g. independence and new standards. Regular updates are provided through PD courses and magazine articles.</p> <p>The ICABC provides a mandatory one-day training course to all new members to make them fully aware of their ethical responsibilities and the consequences of failing to comply with the rules of professional conduct.</p> <p>A regular “Ethical Dilemmas” column is included in the members’ magazine that covers an actual breach of our rules and its consequences.”</p> <p>The Quebec Ordre noted:</p> <p>Continuing education requirement, Course provided by the provincial body, Publication of the disciplinary decision, Articles in provincial publication, Developing tool to help members adhere to the standard (program, guides, Financial Statements models)</p>

Number	Question Title/Text/Help text	Answer	Comments
6.5.4.1.	<p><i>Reporting to Outside Bodies</i> Is your organization obligated under local laws to report possible involvement in serious crimes and offences by its individual members or member firms to the appropriate public authority and disclose related information to that authority?</p>	1 <input type="radio"/> Yes	<p>The answer differs from province to province.</p> <p>For example, the answer is "yes" in Alberta. The ICAA reported that:</p> <p>"The Regulated Accounting Profession Act (RAPA) requires both the Complaints Inquiry Committee (for sanction agreements) and Discipline Tribunals to provide the Minister of Justice and Attorney General a copy of a discipline decision if there are reasonable and probable grounds to believe that the investigated party has committed a criminal offence.</p> <p>Publication is also made to securities commissions and exchanges."</p> <p>In British Columbia the ICABC reported that:</p> <p>"Although we have no legal responsibility to report serious crimes and offences to outside bodies, the ICABC encourages the complainants to report such matters. The ICABC would disclose information to outside bodies with regard to serious crimes and offences although we are not obligated to do so. It is part of our public duty. In any event, the law enforcement bodies can compel us to provide information."</p>

Number	Question Title/Text/Help text	Answer	Comments
		2⊙ No	<p>The Quebec Ordre referred to:</p> <ul style="list-style-type: none"> - money laundering legislation - the obligation in its own regulations and in the Section 60.4 of the Professional Code which reads in part: "The professional may, in addition, communicate information that is protected by professional secrecy, in order to prevent an act of violence, including a suicide, where he has reasonable cause to believe that there is an imminent danger of death or serious bodily injury to a person or an identifiable group of persons. However, the professional may only communicate the information to a person exposed to the danger or that person's representative, and to the persons who can come to that person's aid."
6.5.4.2.	<p><i>Reporting to Outside Bodies Follow Up</i> Please describe your plans to introduce an obligation or requirement to report possible involvement in serious crimes and offences by individual members or member firms to the appropriate public authority and disclose related information to that authority.</p>	<p>Currently, there are no plans in place in the provinces surveyed to change their current situation.</p>	
6.5.5.	<p><i>Approach to Proceedings</i> What type of approach does your organization use to initiate investigation</p>	<p>1☑ Information-based</p>	<p>The Quebec Ordre added "Other" and noted:</p>

Number	Question Title/Text/Help text	Answer	Comments
	and discipline proceedings? Select all the answer options that are appropriate.	2 <input checked="" type="checkbox"/> Complaints-based 3 <input checked="" type="checkbox"/> Other (please describe) 4 <input type="checkbox"/> None of the above	Agreement with certain regulatory bodies such as the Office of the Superintendent of Bankruptcy.
6.5.6.	Investigative Powers and Processes		
6.5.6.1.	<i>Powers</i> Does your organization have all required powers so that authorized personnel can carry out an effective investigation?	1 <input checked="" type="radio"/> Yes 2 <input type="radio"/> No	
6.5.6.3.	<i>Cooperation of Members</i> Do the powers to carry out an effective investigation include: Select all the answer options that are appropriate.	1 <input checked="" type="checkbox"/> A requirement for members (and member firms) to co-operate in the investigation of complaints and to respond promptly to all communications from the member body 2 <input checked="" type="checkbox"/> Provision for sanctions in the event of failure to comply 3 <input type="checkbox"/> None of the above	
6.5.6.6.	<i>Expertise and Resource</i> Does your organization maintain appropriate expertise and adequate	1 <input checked="" type="radio"/> Yes (please describe)	For example, Ontario has six senior staff, including lawyers, investigators, chartered

Number	Question Title/Text/Help text	Answer	Comments
	<p>financial and other resources to enable timely investigative and disciplinary action?</p>		<p>accountants as well as adequate support staff and an adequate budget to deal with the files on a timely basis. Ontario also has a pool of 20+ outside experts, lawyers and forensic accountants if required.</p> <p>Alberta has three senior staff as well as a pool of 64 investigators and 12 lawyers that are contracted as required.</p> <p>The ICABC has two full-time staff (an experienced CA and assistant) to manage the investigation process and five contract investigators that carry out the investigative role. They are assisted by outside legal counsel and members of the Professional Conduct Enquiry Committee. The ICABC has over 70 members of the Discipline Tribunal to call upon to form a panel that is guided by independent legal counsel.</p> <p>The Quebec Ordre noted that the investigations are undertaken by the Syndic and the Assistant Syndics. The Syndic's Office currently has one full-time person and another will be added shortly. As well, the Syndic's Office uses an external firm of lawyers to act as prosecutors and can also call upon the services of a group of (9) experts. The Ordre indicated that, when it is conducting an investigation, it will use an expert in the matter which is the subject of the</p>

Number	Question Title/Text/Help text	Answer	Comments
		2○ No	investigation.
6.5.6.8.	<p><i>Independence and Subject of Investigation</i></p> <p>Does your organization in all cases, confirm at the start of the investigation that any individual chosen to assist in an investigation is independent from (a) the subject of the investigation, and (b) anyone connected with or interested in the matter investigated?</p> <p>Help text: If a conflict exists at the start of an investigation, or arises during the investigation, the chosen individual should immediately withdraw. Similar considerations apply equally to anyone else connected with the investigation and hearing of cases.</p>	<p>1⊙ Yes</p> <p>2○ No</p>	
6.5.6.10.	<p><i>Infrastructure</i></p> <p>Which of the following best describes your organization's investigation and discipline infrastructure? Select all the answer options that are appropriate.</p>	<p>1⊙ One committee/panel to investigate the complaint and a separate committee/tribunal to administer disciplinary action</p>	<p>In Quebec the Syndic and the Assistant Syndics carry out the investigation. After completing the inquiry the Syndic may decide:</p> <ul style="list-style-type: none"> - not to lodge the complaint; - to issue a written warning to the member; - to lodge a complaint with the Committee on Discipline <p>If the Syndic decides not to lodge a complaint</p>

Number	Question Title/Text/Help text	Answer	Comments
		<p>2 <input type="radio"/> A single committee/panel to conduct the investigation and administer disciplinary action.</p> <p>3 <input type="radio"/> Other</p>	<p>with the Committee on Discipline or to issue a warning, the person who originally requested the inquiry can request an opinion from the Review Committee.</p>
6.5.6.12.	<p><i>Independent Review</i> Has your organization established and does it maintain a process for the independent review of complaints by clients and others where it has been decided by the investigation committee that the matter will not be referred to a disciplinary hearing?</p>	1 <input checked="" type="radio"/> Yes	<p>The answer differs from province to province.</p> <p>For example, in Ontario ICAO Bylaw 511 outlines the role and responsibilities of the Reviewer of Complaints.</p> <p>The answer is 'No' for the ICABC. There is no independent review of complaints no matter what the outcome is. The 12 member Professional Conduct Enquiry Committee has a 25% representation of lay-members who must agree with any Committee decision that is in favor of the member. If they don't, then the decision goes against the member. We believe that this process appropriately protects the public interest and we do not believe it is necessary to implement a 'complaints appeal mechanism'.</p>

Number	Question Title/Text/Help text	Answer	Comments
		2 <input type="radio"/> No	<p>In Alberta, the Regulated Accounting Profession Act (RAPA) gives complainant the right of appeal to an Appeal Tribunal if the CIC Chair or the Complaints Inquiry Committee dismisses a complaint.</p> <p>In Québec section 123.3 of the Professional Code, a statute of public order, outlines the functions and the composition of the review committee.</p>
6.5.7.	The Disciplinary Process		
6.5.7.1.	<p><i>Composition of Tribunal</i></p> <p>Does the tribunal responsible for the disciplinary hearing contain a balance of professional expertise and outside judgment (e.g., composed of accountants and non-accountants)?</p>	1 <input checked="" type="radio"/> Yes (please describe)	<p>The answer differs from province to province.</p> <p>In Ontario the disciplinary panel consists of Chartered Accountants and a non Chartered Accountant.</p> <p>In Alberta each discipline tribunal and appeal tribunal consists of two chartered accountants and a public member. A roster of public members is appointed by the Government.</p> <p>In British Columbia the answer is ‘No’ for the ICABC. All members of the Discipline Tribunal are chartered accountants.</p> <p>In Québec the non Chartered Accountant is a lawyer who has more than 10 years’ practice and is appointed by the government as the chair of the</p>

Number	Question Title/Text/Help text	Answer	Comments
		2Ⓐ No	disciplinary tribunal.
6.5.7.3.	<i>Conflicts</i> Are members of the investigation committee or the disciplinary tribunal permitted to serve on both at the same time, or in relation to the same case?	1Ⓐ Yes	In Quebec a Syndic cannot hold other official duties.
		2Ⓐ No	
6.5.7.5.	<i>Independence of Tribunal</i> Briefly describe how the disciplinary tribunal exhibits independence.	<p>The tribunal is composed of independent volunteers. There is no oversight by the organization.</p> <p>In Ontario, oversight is provided by the Divisional Court.</p> <p>In Alberta tribunals are appointed by the Discipline Tribunal Roster Chair who is a volunteer, has no involvement with the complaints inquiry committee and is not overseen by ICAA. Appeals can be made to an Appeal Tribunal, then the Court of Appeal.</p>	

Number	Question Title/Text/Help text	Answer	Comments
		<p>In British Columbia the ICABC Discipline Tribunal has no oversight by any body. However, the Supreme Court of BC can amend or reverse decisions of the Discipline Tribunal on appeal. The Discipline Tribunal members are all independent volunteers that are not allowed to sit on any other regulatory committees or the Council of the Institute.</p> <p>In Québec the panel is composed of Chartered Accountants appointed by the Ordre's Council and a lawyer who is appointed by the government as the chair of the tribunal. In Québec, oversight is provided by the Divisional Court.</p>	
6.5.7.6.	<p><i>Appeals Process</i> Does your organization's rules: Select all the answer options that are</p>	<p>1 <input checked="" type="checkbox"/> Permit a qualified lawyer or other person chosen by the</p>	<p>With respect to answer #3 "Permit any order made against the defendant to be suspended by the tribunal that convicted the defendant, pending</p>

Number	Question Title/Text/Help text	Answer	Comments
	appropriate.	defendant to accompany and represent the defendant at all disciplinary hearings and to advise him or her throughout the investigative and disciplinary process	<p>the hearing of that appeal" the Quebec Ordre replied that: "In Québec the Professional Code permits any order made against a defendant to be suspended pending the hearing of the appeal unless the tribunal orders provisional execution thereof."</p> <p>With respect to answer #4 "Prohibit the appeal tribunal from including a prosecutor or a member of the first tribunal, or any other individual who was concerned with the original conviction" the Alberta Institute indicated that for Alberta this box should be ticked. It said "Yes, the members of the appeal tribunal must have no previous knowledge of the case and include 2 CAs and one public member".</p> <p>Also with respect to answer #4 the British Columbia Institute mentioned that "The ICABC does not have an appeal tribunal. Appeals must go straight to the Court."</p> <p>With respect to answer #5, "Require that the same procedures apply to the appeal process as apply to hearings before the disciplinary tribunal", the Alberta Institute said "Yes, except the appeal is based on the record, it is not a trial de novo."</p> <p>Also with respect to answer #5 the British Columbia Institute said: "The Supreme Court of</p>

Number	Question Title/Text/Help text	Answer	Comments
			<p>BC has its own processes that the ICABC has no influence over. However, they are clearly in accordance with administrative and judicial fairness."</p> <p>Also with respect to answer #5 the Quebec Ordre pointed out that: "In Québec, the composition of the panel in appeal is different from the one of the disciplinary tribunal. The appeal is heard by three judges of the Cour du Québec. The hearing in front of the judges is not a new hearing of the case. Judges only hear the arguments for which the appeal has been lodged."</p> <p>2☑ Permit the defendant to appeal the conviction and any imposed sanction</p> <p>3☑ Permit any order made against the defendant to be suspended by the tribunal that convicted the defendant, pending the hearing of that appeal</p> <p>4☑ Prohibit the appeal tribunal from including a prosecutor or a member of the first tribunal, or any other individual who was</p>

Number	Question Title/Text/Help text	Answer	Comments
		<p>concerned with the original conviction</p> <p>5 <input checked="" type="checkbox"/> Require that the same procedures apply to the appeal process as apply to hearings before the disciplinary tribunal</p> <p>6 <input type="checkbox"/> None of the above</p>	
6.5.8.	Administrative Processes		
6.5.8.1.	<p><i>Elements of Administrative Processes</i></p> <p>As a part of Investigation and Discipline administrative processes does your organization:</p> <p>Select all the answer options that are appropriate.</p>	<p>1 <input type="checkbox"/> Establish time limits for disposal (completion) of all cases</p>	<p>With respect to answer #1, "Establish time limits for disposal (completion) of all cases", the Alberta Institute noted that: "There are set time limits to respond to complaint and time for hearing or appeal to be commenced, but no time limit for investigation."</p> <p>Also with respect to answer #1 the British Columbia Institute said: "The ICABC has established a goal of three months to complete the investigation of a case, starting when the complaint is received. There are no goals for the discipline proceedings as they are so unpredictable."</p> <p>Also with respect to answer #1 the Quebec Ordre said: "In Québec, section 123.1 of the Professional Code stipulates that if the syndic has not completed his inquiry within 90 days of receipt of the request for the holding of an</p>

Number	Question Title/Text/Help text	Answer	Comments
2	<input checked="" type="checkbox"/> Maintain and operate tracking mechanisms, to ensure that all investigations and prosecutions are promptly handled, and that all necessary		<p>inquiry, he must inform the person who requested the holding of an inquiry that the inquiry has not been completed and report to him on the progress of the inquiry. Until the inquiry has been completed, the syndic must, every 60 days after the expiry of the 90-day period, inform the person who requested the holding of the inquiry that the inquiry has not been completed and report to him on the progress of the inquiry."</p> <p>With respect to answer #3, "Maintain a procedure requiring ... b) a binding agreement to maintain that confidentiality", the Quebec Ordre said: "In Québec the persons employed in the investigative and disciplinary process are legally required to take the oath of confidentiality contained in the Professional Code."</p> <p>With respect to answer #5, "Maintain records of all investigation and disciplinary proceedings", the Alberta Institute clarified the answer as it applied to it by adding: "Maintained for period set out in Regulations. Decisions kept forever."</p>

Number	Question Title/Text/Help text	Answer	Comments
		<p>action is taken at the appropriate stage</p> <p>3 <input checked="" type="checkbox"/> Maintain a procedure requiring (a) notification to all persons employed or otherwise participating in the investigative and disciplinary processes (or having access to information concerning such processes) of the importance of maintaining confidentiality, and (b) a binding agreement to maintain that confidentiality</p> <p>4 <input checked="" type="checkbox"/> Maintain secure and confidential facilities for the storage of case papers and other evidence</p> <p>5 <input checked="" type="checkbox"/> Maintain records of all investigation and disciplinary proceedings</p> <p>6 <input type="checkbox"/> None of the above</p>	
6.5.8.2.	<i>Elements of Administrative Processes Follow Up</i>		

Number	Question Title/Text/Help text	Answer	Comments
	Please explain why your organization has not established the administrative processes that were not selected.	Because of the wide variance in complexity of cases, time limits would be impractical. There are time guidelines set for investigations and cases based on their complexity.	
6.5.8.3.	Case Numbers		
6.5.8.3.1.	<i>2005 Heard Case Numbers</i> Indicate the number of cases heard in 2005.	57	<p>Note: In answering this question we have interpreted "number of cases heard" as including hearings only and not investigations, complaints or appeals. The number of hearings shown represents the hearings held by the Provincial Institutes/Ordre in Alberta, British Columbia, Ontario and Quebec. These are the four largest institutes/ordre of chartered accountants in Canada.</p> <p>Alberta: Complaints 81, Hearings 23, Appeals 28</p> <p>British Columbia: 28 investigations and 2 hearings</p> <p>Ontario: 19 hearings</p> <p>Quebec: 13 hearings by Discipline Committee</p>
6.5.8.3.2.	<i>2004 Heard Case Numbers</i>		

Number	Question Title/Text/Help text	Answer	Comments
	Indicate the number of cases heard in 2004.	44	<p>Note: In answering this question we have interpreted "number of cases heard" as including hearings only and not investigations, complaints or appeals. The number of hearings shown represents the hearings held by the Provincial Institutes/Ordre in Alberta, British Columbia, Ontario and Quebec. These are the four largest institutes/ordre of chartered accountants in Canada.</p> <p>Alberta: Complaints 61, Hearings 10, appeals 8</p> <p>British Columbia: 36 investigations and 4 hearings</p> <p>Ontario: 19 hearings</p> <p>Quebec: 11 hearings by the Discipline Committee</p>
6.5.8.3.3.	<p><i>2003 Heard Case Numbers</i></p> <p>Indicate the number of cases heard in 2003.</p>	41	<p>Note: In answering this question we have interpreted "number of cases heard" as including hearings only and not investigations, complaints or appeals. The number of hearings shown represents the hearings held by the Provincial Institutes/Ordre in Alberta, British Columbia, Ontario and Quebec. These are the four largest institutes/ordre of chartered accountants in Canada.</p>

Number	Question Title/Text/Help text	Answer	Comments
			<p>Alberta: Complaints 42, Hearings 4, appeals 11</p> <p>British Columbia: 31 investigations and 1 hearing</p> <p>Ontario: 24 hearings</p> <p>Quebec: 12 hearings by the Discipline Committee</p>
6.5.8.3.4.	<p><i>2005 Completed Case Numbers</i> Indicate the number of cases completed in 2005.</p>	54	<p>Note: In answering this question we have interpreted "number of cases completed" as including hearings completed only and not investigations, complaints or appeals. The number of hearings completed shown represents the hearings completed by the Provincial Institutes/Ordre in Alberta, British Columbia, Ontario and Quebec. These are the four largest institutes/ordre of chartered accountants in Canada.</p> <p>Alberta: 23</p> <p>British Columbia: 2</p> <p>Ontario: 18</p> <p>Quebec: 11 decisions rendered by Discipline Committee</p>
6.5.8.3.5.	<p><i>2004 Completed Case Numbers</i></p>		

Number	Question Title/Text/Help text	Answer	Comments
	Indicate the number of cases completed in 2004.	45	<p>Note: In answering this question we have interpreted "number of cases completed" as including hearings completed only and not investigations, complaints or appeals. The number of hearings completed shown represents the hearings completed by the Provincial Institutes/Ordre in Alberta, British Columbia, Ontario and Quebec. These are the four largest institutes/ordre of chartered accountants in Canada.</p> <p>Alberta: 10</p> <p>British Columbia: 4</p> <p>Ontario: 19</p> <p>Quebec: 12 decisions rendered by the Discipline Committee</p>
6.5.8.3.6.	<p><i>2003 Completed Case Numbers</i></p> <p>Indicate the number of cases completed in 2003.</p>	42	<p>Note: In answering this question we have interpreted "number of cases completed" as including hearings completed only and not investigations, complaints or appeals. The number of hearings completed shown represents the hearings completed by the Provincial Institutes/Ordre in Alberta, British Columbia, Ontario and Quebec. These are the four largest institutes/ordre of chartered accountants in</p>

Number	Question Title/Text/Help text	Answer	Comments
			<p>Canada.</p> <p>Alberta: 4</p> <p>British Columbia: 1</p> <p>Ontario: 24</p> <p>Quebec: 13 decisions rendered by the Discipline Committee</p>
6.5.8.3.7.	<p><i>Average time required for disposal of cases</i></p> <p>Indicate the average time (in months) required for the disposal (completion) of a case. This number should include both the time spent on (a) the investigation of the complaints and (b) the disciplinary proceedings.</p>	36	<p>Alberta: 10 months</p> <p>British Columbia: 3 months for the investigation and 12 months to complete the whole process, including the discipline hearing.</p> <p>Ontario: 36 months</p>
7.	SMO 7		
7.1.	<p><i>Accounting Standards in Law/Regulation</i></p> <p>Does law or regulation establish the set of accounting standards to be used for preparation of financial statements of private sector listed entities and non-listed entities? Select all the answer options that are appropriate.</p>	1 <input checked="" type="checkbox"/>	Yes, for financial statements of listed entities

Number	Question Title/Text/Help text	Answer	Comments
	<p>Where the law / regulation establishes the accounting standards to be used by reference to the set of standards to be used by their name or by including the text of the standards in the law / regulation, please respond "yes" to this question. Section 7.8. of this module includes questions about the law / regulation.</p> <p>Where the law / regulation gives authority to a national standard-setter to establish the accounting standards, please respond "no". Section 7.2. of this module includes questions about the standard-setter and the accounting standards that are established.</p>	<p>2 <input checked="" type="checkbox"/> Yes, for financial statements of non-listed entities</p> <p>3 <input type="checkbox"/> No, for financial statements of listed entities</p> <p>4 <input type="checkbox"/> No, for financial statements of non-listed entities</p>	
7.8.	Law/Reg and Accounting Standards		
7.8.1.	<i>Law/Reg Accounting Standards - Private Sector</i>		

Number	Question Title/Text/Help text		Answer	Comments
	Is there only one group of accounting standards or are the accounting standards applicable to listed entities different from non-listed entities?	1	<input checked="" type="radio"/> The accounting standards for listed entities and non-listed entities are the same set of standards	However, non publicly accountable entities (non-listed + others) have been given a bigger choice of accounting policies.
		2	<input type="radio"/> The accounting standards for listed entities and non-listed entities are not the same set of standards	
7.8.2.	<i>Accounting Standards for Private Sector</i> Does the law/regulation require the use of International Financial Reporting Standards and other pronouncements issued by the International Accounting Standards Board? Select the answer option that is most appropriate.	1	<input type="radio"/> The law/regulation simply refers to International Financial Reporting Standards as the accounting standards (without bringing in the full or partial text of individual IFRSs)	
		2	<input type="radio"/> The law/regulation contains the full text of each IFRS	
		3	<input type="radio"/> The law/regulation contains the main principles of the IFRSs	
		4	<input type="radio"/> The law / regulation has a requirement to use IFRSs using	

Number	Question Title/Text/Help text	Answer	Comments
		<p>another approach (please describe)</p> <p>5⊙ The law / regulation requires the use of national standards with no reference to IFRSs</p>	
7.8.5.	<p><i>National Accounting Standards</i> Provide the name of the national accounting standards for listed entities and non-listed entities and other authoritative pronouncements established by law/regulation.</p>	<p>Generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants. They are developed by the Accounting Standards Board - Canada.</p>	<p>See for example regulations to the Canada Business Corporations Act, Part 8, sections 70 and 71. Reg. 71(1) states that "... the annual financial statements referred to in paragraph 155(1)(a) of the Act shall be prepared in accordance with Canadian GAAP." Reg. 70 states that "'Canadian GAAP' means generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants, as amended from time to time."</p> <p>Provincial corporations acts and provincial securities acts have similar descriptions of the standards.</p>
7.8.8.	<p><i>MB Responsibilities National Standards SMO 7</i> Does your organization have responsibility for any of the following activities? Select all the answer options that are appropriate.</p>	<p>1☑ Develop or assist in developing the proposed standards as law / regulation</p>	<p>It would be useful to review Section 1100, Generally Accepted Accounting Principles, contained in the CICA Handbook – Accounting. The Section describes what constitutes Canadian generally accepted accounting principles and its</p>

Number	Question Title/Text/Help text	Answer	Comments
		<p>2 <input checked="" type="checkbox"/> Develop other authoritative pronouncements</p> <p>3 <input checked="" type="checkbox"/> Promulgate the accounting standards (e.g. by publishing or communicating the standards to the public)</p> <p>4 <input type="checkbox"/> Other (please describe)</p> <p>5 <input type="checkbox"/> None of the above</p>	<p>sources. It mentions, for example, 1) certain Sections in the Accounting Handbook; 2) the Accounting Guidelines and 3) the Abstracts of Issues Discussed by the Emerging Issues Committee.</p> <p>For information on the development of accounting standards and emerging issues abstracts one may refer to the CICA's website at www.cica.ca. On the website's homepage select Standards, then select either Accounting or Emerging Issues from the drop down menu.</p>
7.8.10.	<p><i>Authoritative Pronouncements and Law/Reg SMO 7</i> Please state the name of the other authoritative pronouncements and describe their purpose.</p>	Abstracts of Emerging Issues dealing with emerging issues	
7.8.11.	<p><i>Describe Activities and Law/Reg SMO 7</i></p>		

Number	Question Title/Text/Help text	Answer	Comments
	Describe your organization's activities for promulgating and / or implementing the standards.	Issuance and publication of the CICA Handbook that includes all authoritative pronouncements. Implementation guidance developed by working groups and released electronically. Seminars and courses developed by CICA and Provincial Institutes/Ordre of Chartered Accountants.	
7.8.13.	<p><i>National Standards and Convergence SMO 7</i></p> <p>Please describe the activities your organization has undertaken to promote IFRSs and other IAASB pronouncements to the relevant government or regulatory body that sets national standards. Include in your explanation descriptions of any specific activities and the outcome.</p>	Status of IFRSs and other IASB activity regularly reported to members via CICA website with extensive links to the IASB website. IFRSs made available electronically. As an active national standard setter, the Canadian Accounting Standards Board has strong links with the IASB.	The Canadian Accounting Standards Board has just released its strategic plan that envisages a migration to IFRSs within 5 years. The proposed plan is attached to this response; however, readers are requested to review the CICA website for updated information about the proposed plan.
7.11.	<p><i>Promotion Activities SMO 7</i></p> <p>Please describe the activities your organization undertakes to promote and</p>	The CICA website contains information and several links	

Number	Question Title/Text/Help text	Answer	Comments
	assist in the implementation of IFRSs and other IASB pronouncements and activities.	on IASB activities. When needed, information on proposed standards are circulated and presentations on standards, typically include an international segment.	
8.	Certification of Chief Executive		
8.1.	<i>Complete Certification</i> Once all required questions have been completed, the Certification of Chief Executive should be signed and submitted to Compliance Staff.	1 <input checked="" type="checkbox"/> Yes, the Certification of Chief Executive has been submitted 2 <input type="checkbox"/>	

Invitation to Comment

Auditing and Assurance Standards in Canada — Maintaining high standards in a global environment: A new standard-setting approach

prepared by:
Auditing and Assurance Standards Board

Comments are requested by March 14, 2006

AASB

Auditing and Assurance
Standards Board



Conseil des normes de
vérification et de certification

Request for comment

This Invitation to Comment is issued by the Auditing and Assurance Standards Board. Individuals and organizations are invited to send written comments to the Board. Comments are most helpful if they clearly explain the issues they raise and suggest a specific course of action supported by specific reasoning. All comments received will be available on a public file within one week of receipt.

To be considered, comments must be received by March 14, 2006, addressed to:

Greg Shields, CA

Director, Auditing and Assurance Standards

277 Wellington Street West

Toronto, Ontario M5V 3H2

For ease of handling, we prefer comments to be sent by e-mail (in Word format), to:

ed.assurancestds@cica.ca

Abbreviations

AASOC	Auditing and Assurance Standards Oversight Council
AcSB	Accounting Standards Board
AICPA	American Institute of Certified Public Accountants
AASB	Auditing and Assurance Standards Board
CAG	IAASB's Consultative Advisory Group
CICA	Canadian Institute of Chartered Accountants
CPAB	Canadian Public Accountability Board
CSA	Canadian Securities Administrators
EC	European Commission
EU	European Union
Handbook	CICA Handbook - Assurance
IAASB	International Auditing and Assurance Standards Board
IFAC	International Federation of Accountants
IOSCO	International Organization of Securities Commissions
ISA	International Standard on Auditing
OSFI	Office of the Superintendent of Financial Institutions
PICA	Provincial Institute of Chartered Accountants/Ordre
PCAOB	Public Company Accounting Oversight Board
PIOB	IFAC Public Interest Oversight Board
SEC	US Securities and Exchange Commission

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Executive summary

This invitation to comment (ITC) sets out the proposed new standard-setting approach that the Auditing and Assurance Standards Board (AASB) would like to adopt for the future. The AASB developed the ITC under the oversight of the Auditing and Assurance Standards Oversight Council (AASOC). If the comments received on exposure agree with this approach, there will be a major change in how the AASB fulfils its standard-setting mandate.

Process to be followed

The AASB expects to obtain input on its proposals through comment letters and consultations with interested parties up to the comment deadline of March 14, 2006.

The AASB will modify its draft based on the comments received and will review it once more with the AASOC. The AASB expects to publish its finalized approach in the second half of 2006 and to begin implementing it immediately thereafter.

Matters covered in this ITC

This invitation to comment:

- provides background on Canada's standard-setting environment, an analysis of the AASB's current operating principles and the reasons why change is necessary;
- presents proposals for a new standard-setting approach that is expected to achieve the AASB's goals; and
- explains the consequences, benefits and risks of the proposed new approach.

Why the need for change?

Because of a number of highly publicized corporate financial scandals, the public lost faith in auditing standards in the US and elsewhere. This prompted the creation of the US Public Company Accounting Oversight Board (PCAOB), which is charged with setting auditing standards for reporting issuers. As a result, the US now has one standard setter setting auditing standards for public companies and another for private companies. Meanwhile, International Standards on Auditing (ISAs) set by the International Auditing and Assurance Standards Board (IAASB) have found greater acceptance worldwide. Unfortunately, there is little prospect of convergence between PCAOB standards and ISAs in the foreseeable future.

Practitioners in international accounting firms are now using ISAs on a daily basis, and most auditing standard setters, including the American Institute of Certified Public Accountants (AICPA), have moved away from promulgating a separate set of national standards, choosing to converge with ISAs instead. Canada's Accounting Standards Board (AcSB) is proposing to do the same, i.e., to focus on convergence with International Financial Reporting Standards (IFRSs) rather than continuing harmonization with US standards.

Currently, the AASB develops a separate set of Canadian standards based on both harmonizing with ISAs and eliminating significant differences between Canadian and PCAOB standards. The AASB believes that this approach creates an unjustifiable cost for stakeholders because:

- Canadian standards may not be appropriate for all stakeholders because they incorporate PCAOB standards used only by auditors of reporting issuers in the US;
- of duplication of effort and cost involved in maintaining a separate set of Canadian standards when ISAs are increasingly being recognized as global auditing standards, which could prevent the AASB from devoting sufficient resources to other important issues; and
- of increased concerns that the current approach contributes to standards overload rather than alleviating it.

The AASB wants to adopt a new approach that will ensure:

- that Canada continues to play a leading role in developing high-quality global auditing standards that meet the needs of Canadian stakeholders; and
- stakeholders continue to have confidence in the AASB's standard-setting process.

What the AASB proposes and why

The AASB believes that converging with ISAs is the best option for the future of standard setting in Canada, for the following reasons:

- The IAASB's Conceptual Framework and standard-setting philosophy is closely aligned with the AASB's.
- ISAs are increasingly being accepted as global auditing standards because of the rigour of the IAASB's due process and the quality of the standards it produces.
- The IAASB is embarking on a major project to clarify and restructure its standards, aimed at producing higher-quality audits.
- ISAs reflect the needs of a broad range of stakeholders, including practitioners from smaller firms and the public sector.
- It will give the AASB the opportunity to consider ways to enhance the interpretive guidance¹ materials it provides to practitioners.

The AASB plans to launch a program to converge Canadian auditing and assurance standards with ISAs beginning with the standards issued as part of the IAASB's restructuring project. This phase of the program will commence in 2006 and is expected to be completed by 2011. Under this program, the AASB will:

- amend adopted ISAs only when necessary to reflect Canadian circumstances — such amendments will be clearly differentiated in the standards;
- continue to develop Canadian standards for which there are no corresponding ISAs; and

¹ "Interpretive guidance" in this ITC refers to materials developed under the authority of the AASB and includes such things as Assurance and Related Services Guidelines and other publications defined as "interpretive publications" in Section 5021, *Authority of Assurance Standards and Other Guidance*, of the Handbook. Such guidance is in contrast with "implementation guidance", which is not developed under the authority of the AASB and includes such things as detailed work programs, practice aids, audit manuals, diagnostic tools and other training aids.

- refocus its resources on:
 - significantly influencing the IAASB in the development of a global set of auditing and assurance standards; and
 - developing appropriate interpretive guidance materials, and supporting the development of implementation guidance by others, for application of ISAs in a Canadian context.

The AASB will continuously monitor the environment to assess what might be affecting its standard-setting approach and will conduct a formal reassessment within twelve months of finalizing its approach. Further reassessments may take place at appropriate later dates.

The consequences of this approach for stakeholders

- The Handbook will ultimately take on the IAASB format.
- Canadian GAAS will eventually become equivalent to ISAs and will cease to be closely linked to, and may diverge significantly from, US auditing standards.
- Canadian GAAS will continue to consist of only one set of generally accepted auditing standards for the audits of all sizes and types of entities.
- The AASB will continue to develop its own standards for non-financial statement assurance engagements when warranted.
- Due process for developing auditing and related standards will change to strengthen Canadian stakeholder input to the IAASB.
- Canadian registrants with the US Securities and Exchange Commission (SEC) may decide that their audits should be performed in accordance with PCAOB standards, as permitted by legislation and regulation.

The benefits of the proposed approach

- It will promote confidence among Canadian users of assurance services about the quality of those services.
- There will be less confusion in the marketplace.
- By avoiding duplication of work, the AASB will be able to redirect resources to other important areas.
- It will demonstrate Canada's commitment to the development of global auditing and assurance standards.

The risks involved

- Virtually all Canadian standards will need to be revised to some extent over a relatively short period of time. Some practitioners may have difficulty absorbing these changes.
- The transition is being undertaken at a time when the IAASB is itself undergoing a massive standards restructuring project. The success of the AASB's approach will be affected by the outcome of the IAASB's project, in particular whether international regulators ultimately endorse ISAs.
- The AASB may not be able to influence the IAASB to take into account the views of Canadian stakeholders in developing its standards.

Questions for respondents

The AASB seeks comments and feedback on the following specific questions (where you do not agree, please explain why):

1. The AASB's current standard-setting approach

Do you agree that the AASB's current standard-setting approach needs to change? If not, how would the AASB address the challenges identified in continuing with the current approach?

2. Proposal to adopt ISAs in Canada

Do you agree that adoption of ISAs in Canada is in the public interest and will contribute to maintaining public confidence in the quality of audits undertaken here? What issues or concerns do you identify, if any, as a result of the AASB's proposal to abandon the objective of harmonizing with US auditing standards? As a user of audit services, do you have any concerns with the adoption of ISAs as regards market perception of the credibility of your financial reporting?

3. Application of ISAs in Canada

Do you agree that it will be necessary for the AASB to continue to set standards to address the Canadian environment, by interpreting ISAs in a Canadian context and by addressing areas not dealt with in ISAs, such as in the "Specialized areas" section of the Handbook?

4. Proposed approach

Do you agree that the AASB should increase its efforts in influencing the IAASB to take into account the views of Canadian stakeholders?

5. Process

Do you agree with the AASB's intended change in due process so that Canadian exposure drafts will in future contain a proposed ISA verbatim, together with a limited number of add-ons to take into account Canadian conditions?

6. Other issues

Do you have any other comments on the AASB's proposals or on other matters referred to in this ITC?

Background

In 2003, the AASB developed a Draft Strategic Plan meant to be in place for three years. Because the AASOC was just starting its operations and not yet able to provide the required oversight of the plan's development, it was never finalized. As an interim measure, from 2003 to 2005, the AASB operated under the principles described in Appendix 2. The goal of these operating principles was to ensure that the AASB continued to work toward achieving its mission of developing high-quality standards and guidance. They reflected the AASB's strategic objectives of both converging with ISAs and eliminating significant differences with US auditing standards.

The AASB reviewed the environment (see Appendix 1 for details) at its September 2004 meeting and concluded that it was time to reconsider its standard-setting approach. In particular, the AASB decided it needed to reconsider its activities with respect to ISAs, given that:

- the IAASB had developed a very strong due process for setting those standards;
- the AASB's experience in adopting ISAs over the preceding few years supported its view that ISAs are high-quality standards;
- starting in 2005, the IAASB came under the oversight of the International Federation of Accountants (IFAC) Public Interest Oversight Board (PIOB);
- the IAASB had increased the pace of standard setting beyond what was contemplated in the 2003 AASB plan; and
- a significant number of jurisdictions were working toward international harmonization or convergence in auditing standards. ISAs are currently used in national auditing engagement standards in more than 70 countries, including the United Kingdom, Australia and New Zealand. Because ISAs have to apply to all legal and regulatory environments, however, they tend to be more generic than national equivalents. For this reason, few jurisdictions have completely abandoned their standard-setting activities. There continues to be a need to interpret ISAs in the context of the local regulatory environment.

Meanwhile, the standard-setting environment in the US had changed radically since 2003 to include the following important elements:

- The public lost confidence in the US financial reporting and auditing system in the wake of several business scandals. The PCAOB was formed to develop standards for the audit of public companies in the US. The PCAOB has now issued several standards, and the AASB and its stakeholders have had a good opportunity to assess the PCAOB's impact on standard setting in the US. It seems unlikely that the PCAOB standards will be harmonized with ISAs in the foreseeable future.
- The AICPA, which is committed to harmonizing with ISAs (with a few exceptions), continues to set standards for the audit of non-public companies in the US.
- The Government Accounting Office (GAO) sets auditing standards for government entities.

Given these developments in the US, how useful is it for the AASB to continue to work toward eliminating significant differences between Canadian and PCAOB auditing standards?

Canada's Accounting Standards Board (AcSB), faced with similar issues, has proposed a significant change in its strategic direction to focus on convergence with International Financial Reporting Standards rather than on harmonization with US accounting standards. The AcSB issued an Exposure Draft of its new Strategic Plan in April 2005. The AASB needs to consider whether the AcSB's planned actions should influence its own direction. Both the AASB and the AcSB believe it is important to work in a coordinated manner on issues facing Canadian standard setters and their stakeholders, including the key question of harmonization/convergence with international and/or US standards. The AASB concluded that it should develop a draft plan for exposure as soon as possible after the AcSB released its plan.

Where is the AASB now?

After a detailed review of its environment (see Appendix 1), the AASB arrived at the following list of its strengths, weaknesses, opportunities and threats.

Strengths, weaknesses, opportunities and threats

Strengths

- The AASOC's independent oversight ensures the public interest is taken into account in all AASB activities.
- The AASB includes members from various stakeholder groups, including users of audit reports, practitioners from large and small practices, academics and auditors in the public sector. This, plus the input from stakeholders received during the AASB's due process, also ensures that the AASB sets auditing and assurance standards in the public interest.
- The AASB has a specific focus on addressing Canadian regulatory issues.
- The standards in the Handbook are recognized in incorporating and securities legislation as the primary source of Canadian generally accepted auditing standards.
- The AASB also has a due process for gathering input from Canadian stakeholders for developing responses to all IAASB exposure drafts.

Weaknesses

- Canadian standards contain a mixture of ISA and PCAOB requirements but are not fully aligned with either set of standards.
- Stakeholders are providing less input to AASB exposure drafts because they feel they cannot really influence what a final standard mandates. Yet, the AASB has been using that input as a primary source in developing standards. The question arises, then, whether Canadian standards fully reflect the needs of its stakeholders.
- Because the AASB works with both IAASB and PCAOB standards — whose strategic objectives, operating priorities and conceptual frameworks are not necessarily aligned — inefficiencies creep into the standard-setting process.
- The AASB may, as a result, not devote enough time to addressing small practice and public sector issues or to supporting the development of implementation guidance (such as audit procedures manuals, training courses and diagnostic tools) for practitioners.

Opportunities

- Canada has an enviable reputation as a producer of high-quality auditing and assurance standards that should help increase its influence in IAASB standard setting.
- Canada is well represented on international standard-setting bodies. The IAASB vice chair is Canadian, the PIOB has two Canadian members and some IAASB staff members and several technical advisors to the IAASB are from Canada. Although such representation enables Canada to have a lot of influence on IFAC, there is no AASB representative on the IAASB just now.

- The format and prescription of Canadian auditing and assurance standards are similar to those of IAASB standards. That makes it relatively easy to incorporate ISAs into Canadian standards. US standards, however, tend to be more prescriptive, which causes problems when US standards are incorporated into Canadian standards.

Threats

- In some jurisdictions, standard setting has been moved out of the hands of the profession as a response to concerns about the quality of audits.
- Because the AASB has not made a clear commitment to the adoption of ISAs, its ability to influence IAASB standards is diminished.
- Larger Canadian accounting firms tend to use international standards as a foundation for their audit approaches and may not see the benefit of a separate set of Canadian standards.
- Concerns about the number, complexity and length of standards and regulatory requirements appear to be fragmenting Canadian practitioners as they assess the costs and benefits of providing assurance versus non-assurance services.

Why the need for change now?

The AASB has significantly enhanced the quality of Canadian auditing standards in response to concerns arising from the US business scandals. For example, it recently issued fraud, quality control and audit risk standards. There is strong evidence, however, that there may be better means of developing high-quality standards in the future. For the following reasons, the AASB concluded that it needs to consider changes to its standard-setting approach:

1. The current approach does not meet the needs of all stakeholders

- Because Canadian standards contain differences from both ISAs and PCAOB standards, stakeholders have difficulty comparing the quality of Canadian standards with those standards and are increasingly questioning why Canadian standards need to be different.
- Many practitioners and their clients, particularly smaller entities, are questioning whether auditing standards incorporating PCAOB standards used only by auditors of reporting issuers in the US are really appropriate for meeting the public interest in Canada.
- The AASB is devoting resources to converting ISAs and PCAOB standards into Canadian format at the possible expense of addressing emerging Canadian issues and providing interpretive guidance to assist practitioners.
- Stakeholders are concerned that the current approach will contribute to standards overload — the burden of dealing with new requirements of regulators and standard setters — rather than help alleviate it.
- The AcSB issued a Draft Strategic Plan to obtain input on its proposed change in strategic direction for accounting standards. The AASB believes that it is important for the two Boards to be co-ordinated on the issues facing Canadian standard setters and their stakeholders, including the key question of harmonization/convergence with

international and/or US standards. The AASB's current approach is not consistent with the AcSB's proposals.

- Some accounting firms develop their audit methodologies using international rather than national auditing standards. For such firms, working with a separate set of Canadian standards may result in additional costs for few perceived benefits.
- An approach not fully aligned with either international or US standards may make it difficult to understand Canadian standards because they are trying to incorporate different conceptual bases. To understand and apply Canadian standards, accounting firms have to provide additional guidance and training to staff. The costs involved may ultimately be passed along to users of audit services, resulting in higher fees.

2. The current approach may not be sustainable in the long term

- Although the IAASB and the PCAOB are developing a working relationship, it is likely that there will be differences between their standards for some time to come. The AASB's current approach is sustainable over the longer term only if these two sets of standards become more closely aligned.
- In recent years, the AASB has noticed a significant decrease in the number of responses to its exposure drafts. There are also very few responses to requests for Canadian comment on IAASB exposure drafts. The AASB believes that these decreases may be due to the fact that respondents:
 - are overwhelmed generally with an ongoing increase in the number of requests for comment on proposed accounting, auditing and regulatory requirements;
 - prefer to respond directly to the IAASB through their international firms;
 - believe that the AASB is unlikely to make changes to ISA-based proposals; and
 - do not have the time to respond to both Canadian and international proposed standards.

To be effective, however, the AASB requires the input of its stakeholders. Although it has already begun more proactive efforts to obtain the views of stakeholders, the AASB believes that its current approach does not facilitate these efforts.

3. The current approach may not help the AASB influence the IAASB

- Devoting resources to monitoring both IAASB and PCAOB activities means the AASB has fewer resources for participating more rigorously in international standard setting.
- There may be a perception in international circles that Canada is not seriously committed to international convergence, which might hamper the AASB's efforts of influencing the IAASB in the development of ISAs.

Where does the AASB want to be?

In considering a new approach to standard setting, the AASB focused on the following two primary goals:

1. Canada wants to play a leading role in developing high-quality global auditing standards that meet the needs of Canadian stakeholders

- Global standards would meet the needs of Canadian users of audit reports by ensuring that readers understand that Canadian auditors have conducted their audits in accordance with high-quality, globally accepted auditing standards.
- Global standards would meet the needs of Canadian assurance providers by reflecting best practices for the audit of all sizes and types of Canadian entities and containing interpretive guidance to help ensure that assurance providers can apply them consistently and effectively.
- Global standards would meet the needs of Canadian regulators by being demonstrably of high quality and applied consistently across all sizes and types of regulated entities.
- Canada would suitably demonstrate its commitment to convergence with globally accepted auditing standards.
- Canada would provide strong technical input to the standard-setting process.

2. Canada wants to ensure continuing confidence in the AASB's standard-setting process

- The standard-setting process is subject to appropriate oversight so that standards are developed in the public interest.
- The standard-setting process is appropriately transparent and responsive to the input of Canadian stakeholders.
- The standard-setting process is conducted efficiently and effectively.
- The standard-setting process enables effective implementation of new auditing and assurance standards.

To achieve these two goals, the AASB developed the following key principles:

- Auditing and assurance standards must be based on clearly identifiable principles that allow for the appropriate use of professional judgment.
- AASB standards must be of value to all stakeholders:
 - both the public and private sectors;
 - international markets;
 - Canadian markets and in privately or publicly held entities; and
 - smaller, local and regional markets.
- The AASB must demonstrate that its standards are of the same high quality as globally accepted auditing standards. In this respect, the AASB's work plan will be synchronized to maintain pace with the development of global standards. Also, Canadian standards must allow stakeholders to easily identify any differences between Canadian and global standards.

- The AASB accepts that, by demonstrating consistency with global standards, it will no longer make final decisions on the technical content of individual standards being adopted. It does this on the basis that the due process for setting global auditing standards permits the involvement of Canadian stakeholders. The AASB must be able to participate vigorously in the global due process and take steps to increase the involvement of Canadian stakeholders in that process.
- The costs of standard setting must be reasonable in relation to the benefits to stakeholders.

How will the AASB get there?

The AASB's proposals

The following proposals best address how the AASB envisions its future.

1. The AASB will undertake a program to converge Canadian with IAASB standards, with the Handbook ultimately having the same structure and content as the ISAs.
2. The AASB will consider ways to help practitioners cope effectively with the changes in standards.
3. The transition process will be closely monitored and adjusted as necessary.

Program to converge with the ISAs

Chart A on page 15 provides an overview of the proposed evolution of Canadian auditing standards. The evolutionary process will be complex, particularly as certain factors are outside of the AASB's control. In addition, although the IAASB's Conceptual Framework and standard-setting philosophy are similar to Canada's, the IAASB sets standards in an international context, which may result in standards that are not always appropriate in Canada. How such differences will be resolved will depend on their specific circumstances and the views of Canadian stakeholders. Bearing this in mind, the following presents further details of how the AASB expects to operate under the new standard-setting approach.

Auditing standards

During the medium-term evolutionary period illustrated in Chart A:

- the Handbook will continue in its existing structure;
- the AASB will adopt new ISAs as Canadian standards as they are issued by the IAASB;
- the AASB may undertake other projects that are not on the IAASB agenda as necessary to meet the specific needs of the Canadian environment;
- the AASB may converge with ISAs that are not being restructured by the IAASB in the near term;
- the AASB will retain current Canadian standards having no corresponding ISAs, adapting them as necessary to ensure consistency of structure and terminology (for example, standards dealing with specialized areas in the Handbook, such as auditor assistance to underwriters and others);
- in adopting ISAs, the AASB will allow differences from them only in limited, specific circumstances; and
- the Handbook will clearly differentiate ISA material from Canadian add-ons* so that the AASB can demonstrate that Canadian standards are converged with ISAs.

* An "add-on" adapting a standard to Canadian circumstances would be embedded in the ISA at the appropriate place, rather than at the end of the ISA. Such additional material would, however, be easily identifiable so that readers of the Handbook will be able to see what is the ISA and what is not.

The AASB will focus its efforts on influencing the IAASB in the development of a global set of auditing and assurance standards appropriate to the needs of Canadian stakeholders. The AASB will also try to persuade the IAASB to add projects of specific interest to Canada to its agenda. The AASB may participate in such projects by, for example, conducting related research or supporting IAASB task forces. If the IAASB decides not to take on a project of importance to Canada, or doesn't do it quickly enough, the AASB will consider dealing with the project on its own or in partnership with other standard setters. Examples of areas where the AASB might undertake its own projects are capital markets or information technology developments.

Applying ISAs in a Canadian context may be an issue for practitioners. Identifying the need for, nature of and extent of such guidance, however, will be an evolving process. The AASB recognizes it has a role to play in developing interpretive guidance issued under its own authority and also in supporting others in the development of implementation guidance. For example, the Canadian Institute of Chartered Accountants (CICA), the provincial institutes of chartered accountants/ordre (PICAs) and others are working on approaches for providing timely implementation guidance to practitioners. The AASB expects that under the proposed approach, it will be able to devote additional resources to developing appropriate interpretive guidance materials and to working with the CICA and the PICAs as they develop implementation guidance for application of ISAs in a Canadian context.

The AASB will set a changeover date, when Canadian standards are converged with ISAs, at which time the AASB will restructure the numbering of the Handbook to be consistent with the numbering of the ISAs.

For audits of small entities, the AASB will work with the IAASB and other national standard setters to develop interpretive guidance for the use of ISAs in a small business environment.

Review and compilation standards

For review engagements, the AASB will shortly undertake a project to update current review standards with the objectives of converging with the International Standards on Review Engagements (ISREs) and developing Canadian interpretive guidance.

For compilation engagements, the AASB will undertake a project to update compilation standards with the objectives of converging with International Standard on Related Services (ISRS) 4410 and developing Canadian interpretive guidance.

Helping practitioners cope with change

The AASB will pay particular attention to the practical limitations on the ability of stakeholders to cope with change — the “standards overload” issue. When change is necessary, the AASB will consider an appropriate implementation period taking these limitations into account. However, in doing so, the AASB must also consider the implementation period that is applicable for ISAs that it is adopting and the need to stay on the same timetable as other jurisdictions. It will also offer help through direct

consultations and materials on the AASB website, including updates, articles, answers to frequently asked questions and web-based presentations.

Monitoring the transition to the new standard-setting approach

The AASB will continuously monitor the environment to assess what might be affecting its standard-setting approach and will conduct a formal reassessment within twelve months of finalizing its approach. Such monitoring might include the following:

- Canada’s progress in converging with revised ISAs;
- the relationship between PCAOB and IAASB standards and any significant differences between the two; and
- any teething problems identified in adopting ISAs in the European Union.

Further reassessments may take place at appropriate later dates.

EVOLUTION OF STANDARDS UNDER THE AASB'S PROPOSALS

CURRENT SITUATION

CICA HANDBOOK – ASSURANCE

Amalgamation of:

- Unique Canadian standards and guidance
- Some (not all) ISA standards and guidance
- Some (not all) US PCAOB standards and guidance

Legislation/regulation

- Corporations Acts refer to Canadian GAAP and GAAS set out in CICA Handbook.
- Securities regulations allow Canadian SEC registrants to use Canadian or US GAAP and GAAS.

MEDIUM-TERM EVOLUTION

CICA HANDBOOK – ASSURANCE

ISAs plus:

- Canadian add-ons that are clearly identifiable. Add-ons must meet AASB's criteria (see page 17)
- Canadian standards where there are no ISAs

**PCAOB STANDARDS
(for audits of Canadian
SEC registrants filing US
GAAP financial statements)**

Legislation/regulation

- Canada Corporations Acts refer to Canadian GAAP and GAAS set out in the CICA Handbook or US GAAP and PCAOB standards for Canadian SEC registrants (starting in 2005). Provincial changes in process.
- Securities regulations allow Canadian SEC registrants to use Canadian or US GAAP and GAAS.

LONG-TERM VISION

**CICA HANDBOOK –
ASSURANCE**

International Standards on
Auditing

**PCAOB STANDARDS
(for audits of Canadian
SEC registrants filing US
GAAP financial statements)**

Legislation/regulation

- Canadian GAAP and GAAS the same as IFRSs and ISAs respectively.
- Securities regulations allow Canadian SEC registrants to use Canadian or US GAAP and GAAS.

Consequences of the proposals

The AASB's proposed new standard-setting approach would result in:

- Canadian GAAS eventually becoming equivalent to ISAs;
- abandoning the objective of harmonizing with US auditing standards;
- significant changes to the format of the Handbook;
- significant changes in the due process for developing auditing and related standards;
- continuing to have only one set of generally accepted auditing standards for the audits of all sizes and types of entities;
- developing unique Canadian standards for non-financial statement assurance engagements when warranted;
- a sustained period of change for practitioners; and
- possible changes in how AASOC provides oversight.

Canadian GAAS equivalent to ISAs

Practitioners performing audit engagements will still have to follow and report using Canadian GAAS in accordance with Canadian incorporating and securities legislation. Therefore, the AASB's overriding goal will continue to be to set high-quality auditing and assurance standards in the Canadian public interest. Once the convergence process is complete, however, auditors will also be able to report in compliance with ISAs.

The AASB recognizes that certain existing Canadian auditing standards may have no ISA equivalent. Such standards will be retained and updated as necessary until the AASB considers that their guidance is no longer required, for example, because a new ISA addresses the specific topic or because of changes in the Canadian environment.

Abandoning the objective of harmonizing with US auditing standards

This is perhaps the most significant consequence of the AASB's proposals. As set out in its 2003-2005 operating principles (see Appendix 2), the AASB seeks to eliminate significant differences between Canadian and US standards and to avoid creating new ones. The AASB does not propose to continue this approach in the future.

The AASB notes that many Canadian SEC registrants require their auditors to report using PCAOB standards rather than Canadian GAAS for their US filings. In addition, the CSA permits filings with Canadian securities regulators to be audited in accordance with PCAOB standards in certain circumstances. It is possible that, as a result of the AASB's proposals, the CSA and other regulators may allow or require entities that are not SEC registrants to be audited using PCAOB standards. Accordingly, more entities may require their auditors to audit and report under PCAOB standards in future, and more auditors may need to be able to practice using such standards.

Significant changes to format of the Handbook

The Handbook will eventually contain ISAs together with separately identifiable Canadian add-ons. The AASB estimates that the Handbook already contains approximately 60 percent of the ISAs that are part of the IAASB's Clarity Project. By

2011, the Handbook will contain 100 percent of these ISAs. The AASB notes that Canadian standards already are converged with ISAs in most key areas, such as the audit risk model and the auditor's responsibility to consider fraud. Once the convergence process is complete, the numbering of the Handbook will be restructured to be consistent with the numbering of the ISAs.

Significant changes in due process for developing auditing and related standards

The adoption of ISAs significantly changes the process for developing Canadian auditing standards. The AASB will no longer develop unique Canadian auditing standards except where gaps in IAASB standards need to be addressed in a Canadian context. Instead, its role will be to perform "due diligence" on the ISAs considered for adoption in Canada.

The AASB will do this by:

- seeking comment from Canadian stakeholders on IAASB exposure drafts;
- contributing standard-setting expertise and effort toward influencing the development of international auditing standards; and
- refocusing resources to achieve an increased level of participation in international standard setting.

The IAASB follows a transparent standard-setting process. For example:

- IAASB meetings are open to the public; and
- the IAASB website contains:
 - lists of current projects and project histories;
 - outstanding exposure drafts;
 - IAASB meeting agenda materials;
 - minutes and audio recordings of IAASB deliberations;
 - copies of its annual report and action plan; and
 - responses to IAASB exposure drafts.

The AASB believes, therefore, that Canadian stakeholders will have ample opportunities to take part in the international standard-setting process and also in the development of Canadian standards based on ISAs. The AASB believes that the resulting due process for the convergence with ISAs will be transparent.

Until now, when IAASB exposure drafts have been issued, the AASB has sought comments from Canadian stakeholders to be passed to the IAASB. This has been separate and distinct from the AASB's due process for developing Canadian auditing standards. In the future, however, the AASB will issue IAASB exposure drafts as proposed Canadian standards. Such Canadian exposure drafts will contain the proposed ISA verbatim, together with a limited number of Canadian add-ons. Add-ons may be necessary, for example, to reflect the Canadian legal or regulatory environment, or for consistency with Canadian accounting standards. Based on the feedback from this exposure process, the AASB will provide input to, and try to influence, the IAASB.

Only one set of GAAS

The Handbook will contain one set of standards for audits regardless of the size of the entity being audited or the practice performing the audit. The AASB believes that an

audit is an audit, in the sense that the objectives and principles are the same for all entities, but that approaches, methodology and procedures may differ. It believes that the IAASB's due process takes into account the views of small and medium-sized practices auditing small entities. In addition, one of the objectives of the IAASB's Clarity Project is to address issues of length and complexity of standards for small and medium practices. The AASB believes that its proposals for adopting ISAs restructured under the Clarity Project will aid in addressing the concerns of small and medium practitioners.

Standards for non-financial assurance engagements

The IAASB's current focus is on developing standards for audits of financial statements, although it ultimately also intends to set standards for other assurance engagements. Under the IAASB Conceptual Framework, ISAs are developed primarily in the context of audits of historical financial statements. The IAASB has stated that ISAs are applicable to all such audits (for example, private sector, public sector, not for profit entities and small, medium-sized and large entities). The Handbook applies to all types of assurance engagements, however, not just audits of financial statements. Accordingly, the AASB will continue to set standards for other assurance engagements as it considers necessary.

Sustained period of change for practitioners

The AASB's proposals call for a sustained period of change to standards from 2006 to 2011. This would have several consequences, including the following:

- Stakeholders will be asked to respond to a large number of exposure drafts.
- A considerable amount of professional development effort will be required of post-secondary educators, provincial institute trainers, practice inspectors, regulators and firms.
- Many changes will be required to accounting firm audit manuals without there necessarily being significant changes to specific audit procedures.

Possible changes in how AASOC provides oversight

The AASB recognizes that the adoption of its new standard-setting approach may have implications for AASOC's oversight role, particularly as the IFAC's PIOB plays a similar role in overseeing the activities of the IAASB. Precisely how the implementation of the AASB's proposals would affect the AASOC's mandate, however, is yet to be determined.

Benefits of the proposals

The AASB's proposals respond to a significant number of the strengths, weaknesses, opportunities and threats identified earlier in this ITC.

They respond to the needs of Canadian stakeholders as follows:

- By promoting confidence among users of assurance services about the quality of those services, because now there will be common requirements to perform such services to the same high standards no matter where they are performed.

- By reducing confusion in the Canadian marketplace because there will be only two sets of standards — ISAs and PCAOB standards — rather than the three in the current environment (ISAs, PCAOB standards and Canadian GAAS).
- By creating a relationship between accounting and auditing standards that the marketplace will understand because the majority of entities will follow international GAAP and be audited in accordance with international GAAS.
- By reinforcing that the AASB’s standards are set in the public interest because the IAASB itself expresses its objectives in standard setting in the context of serving the public interest (see Appendix 4 for information about the IAASB).
- While the IAASB processes for recognizing special considerations in the audits of small and public sector entities are still evolving, the AASB will be able to increase its focus on these key audit areas.
- Standards in the Handbook will evolve so that users can readily identify Canadian add-ons that distinguish the standards used in Canada from ISAs. This will help those developing audit approaches for their firms based on ISAs to easily identify where they need to tailor their firm’s manual for use in Canada.
- The AASB anticipates that the need for Canadian add-ons will eventually disappear (for example, if securities regulations affecting auditors become largely consistent on a global basis) so that ISAs will be applied globally (except in the US, where adoption of ISAs seems unlikely).
- The AASB and staff will spend less time eliminating inconsistencies in the Handbook arising from converting ISAs and PCAOB standards into Canadian format and terminology, concentrating instead on more productive activities.

The AASB’s standard-setting process will become more sustainable by:

- refocusing time and effort on monitoring the agenda of only one other standard setter, rather than two with different approaches;
- taking advantage to the fullest extent of the views of world experts in developing standards and avoiding the duplication of effort required to “translate” them for Canadian purposes; and
- simplifying the due process for responding to exposure drafts.

The AASB will receive greater recognition internationally by:

- being a leader in converging with ISAs; and
- having more time to influence the international standard-setting process because it will be adopting ISAs on a more proactive basis and, therefore, be more able to contribute to the international debate on new standards.

Risks of the proposals

The ability of the AASB to influence the IAASB

There is no certainty that the proposed actions will actually increase AASB influence at the IAASB. The IAASB has an appropriate due process, however, that ensures it considers the views of all stakeholders. The AASB is satisfied that this due process will

permit it to present its views. By aligning its agenda with the IAASB's, the AASB will have more opportunity to participate in IAASB projects. In addition, the AASB is a member of the IAASB National Standard Setters group that meets annually and focuses on promoting international convergence (see Appendix 1 for further discussion about this group). This membership ensures the AASB has an ongoing liaison with the IAASB about its standard-setting program and activities.

Canadian standards may not adequately respond to unique Canadian circumstances

If the AASB were to rigidly adopt ISAs without giving due consideration to unique aspects of the Canadian environment, the resulting standards might not be fully operational in a Canadian context. The proposed new exposure draft process would, however, focus on obtaining input on unique Canadian circumstances. Also, experience has shown that each country has fewer unique circumstances over time — auditors and their stakeholders are facing similar issues in many countries.

Being tied to the IAASB Clarity Project timetable

The AASB's proposals are closely linked with the IAASB's Clarity Project. If the IAASB's project deviates from its expected timetable, this could significantly affect the ability of the AASB to achieve a smooth transition to ISAs.

The ability of stakeholders to absorb changes during transition period

As discussed on page 18, the AASB's approach calls for a sustained period of change to standards from 2006 to 2011. There is a risk that stakeholders will have difficulty implementing the changes during this period.

The AASB intends to develop an implementation plan during the transition period that will respond to the above risks.

Appendix 1: AASB's environment

International Standard Setting

The quality of the ISAs has continued to improve, partly because of a strong, transparent due process. With the formation of the PIOB in the spring of 2005, the IAASB² is now under public oversight. The IAASB has devoted substantial effort to building and strengthening relationships with its stakeholders, including global regulators, international and regional organizations, IFAC member bodies and national standard setters. As a result, it seems more appropriate than ever before for the AASB to actively pursue convergence with ISAs.

When the AASB developed its last strategic plan, the IAASB had just begun implementing a program designed to strengthen its processes and broaden its membership with a view to meeting the needs of regulators and other external observers for efficiency, transparency and credibility. Since then, the IAASB has undertaken significant initiatives to respond to the "Proposals for Reform" that the IFAC approved in November 2003 and that are supported by regulators worldwide. The aim of these reforms was to increase public confidence in IFAC's public interest activities, including the IAASB's standard setting. The reforms are discussed in more detail in the IAASB's 2004 Annual Report (www.ifac.org/IAASB/Downloads/current_IAASB_Annual.pdf) and include the following:

- Appointment of an independent Consultative Advisory Group (CAG) to strengthen the IAASB's due process and to further the public interest in the IAASB's standard-setting activities.
- Appointment of a full-time Chair on October 1, 2004.
- All members of the IAASB have for the first time signed a declaration, to be repeated annually, that they will act with integrity and in the public interest in the discharge of their responsibilities. The aim of this declaration is to strengthen the acknowledgment by IAASB members to act in the best interests of the public.
- To enhance the avenues for direct input into the IAASB's standard-setting process, invitations for observer seats to the IAASB were sent to and accepted by the PCAOB and the Japanese Financial Services Agency. A response on a third invitation, sent to the European Commission, is pending. In addition, the chairman of the IAASB CAG has accepted a fourth observer seat. These observer seats carry speaking, but not voting, rights.
- In July 2004, the IAASB issued an exposure draft proposing enhancements to its due process; comments are now being considered. The proposals respond to the IFAC reforms that called for consideration of public hearings on standard-setting projects, enhanced responsiveness to comments received on exposure drafts and a report on compliance with due process in the IAASB's annual report. The exposure draft also

² The IAASB's due process is set out in the Preface to the International Standards on Quality Control, Auditing, Assurance and Related Services, and is summarized in Appendix 4.

proposes other changes to strengthen the IAASB's deliberative process, and to expand the present description of the IAASB's due process and working procedures to reflect more fully the practices that are being followed.

- The IFAC reforms also called for the development and formalization of the present liaison arrangements between the IAASB and national standard setters.

While implementing the reforms, the IAASB has also focused on its primary objective — the development of robust and high-quality auditing standards. One project with significant and far-reaching consequences is the Clarity Project (see Appendix 3 for the project timetable). In 2003, the IAASB decided to review the drafting conventions used in its standards with the objective of identifying ways to improve the clarity and, thereby, the consistency of application, of its standards. In September 2004, the IAASB issued the Exposure Draft, "Clarifying Professional Requirements in International Standards Issued by the IAASB." The Exposure Draft and accompanying consultation paper deal with the IAASB's drafting conventions and some suggestions for resolving issues surrounding the structure, length and perceived complexity of IAASB standards. The IAASB believes that acceptable solutions are needed to contribute toward global convergence of standards.

Another major IAASB focus has been on achieving global convergence to its standards. The challenges of convergence to international standards were clearly highlighted in the report commissioned by the IFAC and issued in September 2004, "Challenges and Successes in Implementing International Standards: Achieving Convergence to IFRSs and ISAs" (see www.ifac.org/convergencereport), written by former IFAC board member Peter Wong.

Recognizing the importance of small and medium-sized practices (SMPs), the IAASB solicited the input and support of the IFAC SMP Permanent Task Force at all key stages of each of its projects, beginning with the project proposal. This reflects the need for the IAASB to give appropriate consideration to SMP issues and to understand the views of SMPs so that the IAASB's pronouncements are relevant and applicable to them.

To facilitate the IAASB's partnership with SMPs, the IAASB has appointed its Deputy Chair to act as liaison with the SMP Permanent Task Force.

Regulators:

European Commission

The EC recently proposed that statutory financial statement audits in the EU should be conducted in accordance with ISAs, as developed by the IAASB and to the extent endorsed by the EC.

International Organization of Securities Commissions

IAASB representatives attend meetings of IOSCO's Standing Committee No. 1 and the Auditing Subcommittee. IOSCO has commented regularly on the IAASB's exposure drafts, and IOSCO representatives have attended most of the public meetings of the IAASB. IOSCO participates in the IAASB CAG and is involved in the development of the IFAC reforms.

The IAASB continues to explore with IOSCO the ways in which IOSCO might eventually endorse IAASB standards for use in all capital markets regulated by IOSCO members.

US Public Company Accounting Oversight Board

Recognizing the PCAOB's unique role in setting auditing standards for the US capital markets, the IAASB established working relationships with the PCAOB to foster better understanding of each other's activities and further the goal of global convergence of standards.

In 2004, the PCAOB was granted observer status at IAASB meetings. Through this channel, the PCAOB professional standards staff has contributed to the IAASB's deliberations on significant projects. In the observer role to the IAASB, PCAOB staff also attends meetings of the IAASB CAG.

Conversely, the IAASB has accepted an invitation to participate as an observer at meetings of the PCAOB's Standing Advisory Group (SAG). The IAASB Chair attends meetings of the SAG and participates in the discussions addressing PCAOB projects.

Standard Setters:

National Standard Setters

Standard setters from 10 countries, including Canada and the US (both the PCAOB and the AICPA's Auditing Standards Board), attend an annual meeting of national standard setters. These meetings include discussions on how to improve coordination of work agendas between the IAASB and national standard setters, issues of international convergence, how the clarity of IAASB standards might be improved, the translation of ISAs and the development of implementation guidance.

During 2004, the IAASB worked with national standard setters on three projects. In addition, in a project initiated by the major international audit firms, staff of the firms,

national standard setters and professional accountancy bodies collaborated with IAASB staff to develop questions and answers regarding the first-time adoption of International Financial Reporting Standards.

International Organization of Supreme Audit Institutions

The INTOSAI's goal is to develop Guidelines for Financial Audit that will provide its members with practical guidance on the application of INTOSAI auditing standards to financial audits of public sector entities. INTOSAI has resolved that these Guidelines should, as far as possible, draw upon ISAs.

The IAASB has approved a final Memorandum of Understanding (MoU) with INTOSAI that formalizes a project structure and cooperation process enabling INTOSAI to use ISAs as a basis for its proposed Guidelines for Financial Audit. The MoU also provides for INTOSAI to designate experts in the field of public sector auditing to work with the IAASB to facilitate the incorporation of public sector perspectives into the body of ISAs. INTOSAI nominees have been appointed to several IAASB task forces.

These co-operative efforts represent an important contribution to the development of standards that will be applicable in both the private and public sectors.

International Accounting Standards Board

The IAASB considers it important to maintain close liaison with the IASB given the range of common issues both face. The IASB already represents an important element in the IAASB's due process through its participation on the IAASB's CAG. In addition, closer liaison between the IAASB and the IASB was initiated in 2004 through meetings between the chairs of the respective Boards to discuss common issues and projects of mutual relevance.

The state of international convergence

A significant number of jurisdictions have been engaged in a process of international harmonization or convergence in auditing standards. ISAs are currently used as the basis for national auditing engagement standards in more than 70 countries, such as European countries including the United Kingdom and Germany, Australia, New Zealand and South Africa.

As previously stated, the EC is considering a process and timetable for endorsement of ISAs for use throughout the EU in the future.

The Statements of Membership Obligations issued by the IFAC Board provide clear benchmarks for IFAC member organizations. These Statements also spell out members' obligations, including their efforts at international convergence.

US standard-setting developments

The US standard-setting scene has changed dramatically since 2003, with the division of standard-setting responsibilities among different bodies being one of the most significant developments.

Public Company Accounting Oversight Board

The PCAOB was formed in July 2002 to oversee the auditors of public companies in the US. The PCAOB has powers to establish standards for auditing, attestation, quality control, ethics and independence for registered accounting firms. The PCAOB relies on the advice of a Standing Advisory Group to assist it in performing its standard-setting responsibilities.

On April 16, 2003, the PCAOB adopted certain existing standards as its interim auditing standards. Most of these standards were promulgated by the AICPA and pre-date the PCAOB's formation. These interim standards are incorporated into the PCAOB's rules. Registered public accounting firms have to comply with both interim standards while they are in effect and the permanent standards adopted by the PCAOB.

In May 2004, the SEC approved the PCAOB's proposed standard requiring registered public accounting firms to include in their reports on the financial statements of public companies a statement that the engagement was conducted in accordance with "the standards of the Public Company Accounting Oversight Board (United States)." The standard supersedes previous standards that required references to "generally accepted auditing standards."

In June 2004, the SEC approved the PCAOB's proposed standard for auditors' attestation to management's assessment of internal control over financial reporting.

In August 2004, the SEC approved the PCAOB's proposed standard for audit documentation. The PCAOB considers this standard to be one of the fundamental building blocks on which both the integrity of audits and the PCAOB's oversight will rest.

In 2003, the PCAOB accepted an invitation to observe, with speaking rights, IAASB meetings. Similarly, the PCAOB invited the IAASB to participate as observers in the Standing Advisory Group. Although not an explicit objective, the PCAOB supports the development of high-quality international professional standards.

Further details about the PCAOB may be found at www.pcaobus.org.

American Institute of Certified Public Accountants

Prior to the formation of the PCAOB, AICPA members who performed audits were required to comply with Statements on Auditing Standards promulgated by the AICPA's Auditing Standards Board (ASB). These standards constitute what is known as generally accepted auditing standards in the US and, in the past, applied to all audits. Now, however, the auditing and related professional practice standards established by the PCAOB are to be used in the performance of, and reporting on, audits of public

companies. Accordingly, AICPA members must now comply with PCAOB standards when auditing public issuers and with ASB standards when auditing non-public companies.

With the formation of the PCAOB, the ASB changed its focus to:

- developing auditing, attestation and quality control standards for nonpublic engagements;
- contributing to the development of high-quality national and international auditing and assurance standards;
- meeting the needs of financial statement users;
- fostering public trust in the profession; and
- developing timely practical guidance on implementing the standards

The ASB has also indicated its intention to adopt wording conventions for future Statements on Auditing Standards that are consistent with those used by the PCAOB. Under these conventions, a requirement is indicated by the words “must” or “is required”. Presumptive requirements, with which the auditor must comply in all cases where the requirement applies, are indicated by the word “should.” The IAASB has chosen not to use these wording conventions in its standards.

Canadian environment

The Canadian environment has also seen significant changes since 2003, with the creation of the Canadian Public Accountability Board, the Accounting Standards Board’s (AcSB) proposed change of strategic direction and the Canadian Securities Administrators permission for certain issuers to use US accounting and auditing standards, and standards overload issues. As a result, the AASB also needs to consider its standard-setting approach.

Canadian Public Accountability Board

In 2003, the provincial securities commissions, the Federal Superintendent of Financial Institutions and the CICA created the CPAB to provide independent public oversight for auditors of issuers reporting to the securities commissions. The Canadian Securities Administrators (CSA) National Instrument 52-108 requires that financial statements of reporting issuers be audited by public accounting firms registered with the CPAB oversight program. The CPAB has contractual agreements with participating audit firms to take any actions necessary to carry out its role. The CPAB’s actions to promote high-quality external audits of reporting issuers include:

- establishing and maintaining requirements for participation in the CPAB’s oversight program, and publishing on its website a register of participating audit firms;
- conducting inspections of participating audit firms directly or in co-operation with professional regulatory authorities to assess the compliance of each firm with the CPAB Rules, professional standards and the firms’ own quality control policies, and requiring firms to take remedial action to address inspection findings when necessary or appropriate;

- conducting investigations of, and imposing requirements, restrictions and sanctions on, participating audit firms when necessary or appropriate;
- providing comments and recommendations on accounting and assurance standards to relevant standard-setting and professional oversight bodies; and
- reporting to the public at least annually on the results of its activities.

The CPAB developed a co-operative working relationship with the PCAOB, leading in early 2005 to a documented understanding of how the two organizations will work together to ensure the oversight of firms auditing public companies in both countries without duplicate effort. Nearly 500 Canadian companies are registered with the SEC in the US. Also, about 200 foreign firms registered in Canada are audited by US and other foreign accounting firms.

Unlike the PCAOB, the CPAB does not set auditing standards in Canada. The CPAB is, however, represented on AASOC and the Accounting Standards Oversight Council, the independent body established to oversee the AcSB. The CPAB has a particular interest in ensuring that Canada has world-class standards for auditing and for auditor independence. Both Canadian and international auditing standards are undergoing major revision, in part as a response to the audit failures of recent years. Audits are becoming more rigorous and more sophisticated.

The CPAB comments on each auditing exposure draft issued by the AASB, highlighting situations where it believes, based on the results of its inspections, current Canadian standards need to be improved. For example, the CPAB noted the need for improvement in standards for audit documentation and standards where an auditor of financial statements relies on another auditor to do part of the required work – for example, work on the client’s operations in a foreign country. The AASB has now approved a new audit documentation standard and has approved a project to address group audits.

Further details about the CPAB may be found at www.cpab-ccrc.ca.

Accounting Standards Board

The AcSB has embarked on a strategic planning process of its own. It issued a Discussion Paper in June 2004, "Accounting Standards in Canada: Future Directions," outlining various matters that should be considered in formulating the AcSB’s strategic direction and policies. Responses to this Discussion Paper were taken into account in the Draft Strategic Plan the AcSB issued in May 2005. This draft outlines a significant change in direction for the AcSB. These documents can be found at <http://www.acsbcanada.org>.

The AcSB plans to pursue separate strategies for the major categories of reporting entities (public companies, private businesses and not-for-profit organizations). The AcSB recognizes that “one size does not necessarily fit all,” and that each category deserves a strategy that specifically addresses the particular needs of the users of its financial statements.

For public companies:

The best way to achieve the objective of a single set of globally accepted, high-quality accounting standards is to converge Canadian GAAP with International Financial Reporting Standards (IFRSs) over a transitional period, expected to be five years. At the end of that period, Canadian GAAP will cease to exist as a separate, distinct basis of financial reporting for public companies. To achieve convergence, the AcSB will:

- amend or replace individual Canadian standards to conform to corresponding IFRSs, and adopt newly developed IFRSs;
- work with both the International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB) to ensure that the Canadian perspective is taken into account in the deliberations of those bodies; and
- work to promote the further convergence of IASB and FASB standards.

In taking on a role in the development of global standards, the AcSB will cease to make final decisions on most matters affecting the technical content and timing of implementation of standards applied in Canada.

Full convergence with IFRSs will be achieved by the changeover date at the end of the transitional period. The AcSB believes that, by providing ample lead time and a clear transition plan, the costs and disruption to affected stakeholders will be less than the alternative of a gradual, extended phase-in approach with multiple successive accounting changes. The AcSB may consider giving companies the ability to adopt individual converged standards during the transitional period as they are introduced into the CICA Handbook – Accounting to replace current standards.

The AcSB will review progress in implementing its strategy after the first 24-30 months. The AcSB will assess whether there have been significant changes in any of the environmental factors that have influenced the development of the strategy, without necessarily undertaking further public consultations. The plan will be assessed in particular against progress in the development of IFRSs and their acceptance globally. Assuming that the AcSB's review confirms the suitability of IFRSs as a basis for public company financial reporting in Canada, the AcSB will set the definitive changeover date when Canadian GAAP for public companies will be fully converged with IFRSs.

The AcSB acknowledges that US GAAP has been determined by competent authorities to be an appropriate alternative basis of financial reporting for certain public companies. Public companies would continue to be permitted to adopt US GAAP, in place of IFRSs, on the basis decided by lawmakers and regulators.

For private businesses:

The AcSB will undertake a comprehensive examination of who the users of these businesses' financial statements are, along with their needs, and then determine the most appropriate financial reporting model to meet those needs. The AcSB has no preconceived idea of the outcome of this process, but it could result in either similar or substantially different standards from those currently in use.

The proposed research may be conditional on obtaining additional resources and will take some time to complete, during which the current differential reporting model will remain in place. Any additional alternatives will be developed through the current process with the advice of the AcSB's Differential Reporting Advisory Committee.

The AcSB will clarify that GAAP requirements are intended to apply only to entities that have significant external users of financial information and require the application of a common basis of financial reporting. The AcSB plans to limit the scope of its standards to such entities, exempting a number of smaller private businesses that do not need GAAP financial statements.

For not-for-profit organizations:

Not-for-profit organizations (NFPOs) will continue to apply GAAP for profit-oriented enterprises applicable also to NFPOs. The AcSB will consult with the not-for-profit sector to determine whether all NFPOs should base their accounting on the standards for public companies, or whether some might base their accounting on the standards for Canadian private businesses or be exempted from the scope of accounting standards altogether. The AcSB will continue its current practice of developing standards that deal with the special circumstances of NFPOs, and will focus more of its attention on addressing those circumstances.

Canada will continue to maintain its own standard-setting capability to carry out the strategies outlined above, although the roles, structures, processes and resources will evolve to match those strategies.

In carrying out these strategies, the AcSB proposes to pay particular attention to the practical limitations on the ability of the Canadian financial reporting system to cope with change. In other words, the AcSB will be particularly sensitive to the "standards overload" issue. Where change is determined to be necessary, the AcSB will assist affected parties in dealing with change through, for example, participating in the development of implementation aids and training programs.

The AcSB will take into account any of the AASB's findings and proposals that are relevant to its own strategic directions. The AcSB will also work with the AASB and the Public Sector Accounting Board in resolving financial reporting issues it has in common with those boards.

Public Sector Accounting Board

During 2003 and 2004, the Public Sector Accounting Board (PSAB) developed new strategic directions for public sector reporting in Canada. Some of the key outcomes sought are as follows:

- the CICA Public Sector Accounting (PSA) Handbook becomes a comprehensive body of high-quality, generally accepted accounting and financial reporting standards for the Canadian public sector.
- the public sector in Canada prepares its financial statements in accordance with the CICA PSA Handbook.

- Auditors report whether public sector financial statements are prepared in accordance with the CICA PSA Handbook.

Canadian Securities Administrators

In 2004, the Canadian Securities Administrators issued National Instrument 52-107, which sets out accounting principles and auditing standards for preparing and auditing financial statements in documents filed with Canadian securities regulators. The National Instrument can be found at www.osc.gov.on.ca. The following table summarizes the auditing standards permitted for the audit of financial statements:

	Canadian issuer	SEC issuer	Foreign issuers		
			SEC foreign issuer	Designated foreign issuer	Other foreign issuer
Canadian GAAS	X	X	X	X	X
US GAAS		X	X	X	X
International Standards on Auditing			X	X	X
Auditing standards accepted in the designated foreign jurisdiction				X	

Please refer to National Instrument 52-107 for definitions of terms used in the above table.

Standards overload issues

The AcSB's Discussion Paper refers to the increase in the pace of change in accounting standard setting in recent years, including the increase in the length and complexity of standards issued not only by accounting bodies but also by securities regulators, governments and others. The same is true of auditing standards. This trend is commonly described as "standards overload".

The AASB cannot resolve standard overload issues by itself. Much like the AcSB, the AASB is attempting to communicate better with stakeholders about its new standards and to assist others in developing implementation guidance for practitioners affected. Recent examples of this are:

- its involvement in the development of the CICA's *Quality Assurance Manual* in co-operation with practitioners from smaller firms and staff from provincial institutes;
- support for the development of an updated *Professional Engagement Manual* dealing with new audit risk standards; and
- sponsoring a revised Audit Technique Study on the audit of a small business that includes, among other things, new guidance on dealing with the audit risk model as it applies to such audits.

Although the AASB's role includes providing interpretive guidance to assist practitioners in applying its standards, it does not get involved in educational efforts designed to train auditors. While education is beyond the AASB's mandate and resources, it recognizes that it must work with others who are responsible for educating practitioners.

Appendix 2: AASB's operating principles — 2003 to 2005

The AASB's overriding goal is to set high-quality auditing standards that enable the profession to serve the public interest. In meeting this goal:

1. The AASB works with the AASOC to identify and address issues affecting Canada's auditing standard setting.
2. The AASB works toward international harmonization as follows:
 - When the IAASB develops new international standards, the AASB adopts them if they are of at least as high a quality as existing Canadian standards. For example, the AASB recently adopted the IAASB's standards on audit risk.
 - When the PCAOB develops new standards for reporting issuers in the US, the AASB considers adopting such standards when it believes that they improve the quality of Canadian auditing standards and are appropriate for a broad range of stakeholders. For example, the AASB has approved a standard on audit documentation that includes certain of the PCAOB's requirements.
 - The AASB seeks to eliminate significant differences between Canadian and US standards and to avoid creating new ones.
 - The AASB undertakes projects to continually improve the quality of the Handbook. Such projects may be to remove a gap in the Handbook or to update an existing standard, for example, resulting from suggestions made by regulators and others, such as the CPAB. In undertaking such projects, the AASB looks to existing IAASB and US guidance as a starting point. The AASB may develop new Canadian standards that go beyond existing IAASB and US standards where it considers it necessary to do so to reflect current practice. For example, the AASB recently issued standards on management representations and terms of engagement.
 - The AASB develops its own standards where the Canadian environment is different from other jurisdictions or where there are no existing IAASB or US standards. For example, the AASB is developing a standard on the auditor's report on public sector general-purpose financial statements.
3. The AASB contributes to the IAASB standard-setting process by providing technical input on IAASB Exposure Drafts.
4. The AASB explores means of improving processes to ensure that they are as efficient and effective as possible while remaining appropriately transparent.
5. The AASB researches issues surrounding the scope, content, structure and terminology used in the Handbook.
6. The AASB participates in discussions involving the CICA and the provincial institutes/ordre to address standards overload issues and develop a comprehensive

implementation guidance program to address the need for implementation guidance for standards.

7. The AASB considers means of improving two-way communications with stakeholders with a view to informing stakeholders of the AASB's project activities and seeking stakeholder input on project priorities, the quality of auditing standards and satisfaction with the AASB's processes.

Appendix 3: The IAASB Clarity Project timetable — 2006-2011

The following indicates the approximate timing of the IAASB's Clarity Project.

	2006-2007	2008-2011
Objective and General Principles Governing an Audit of Financial Statements (ISA 200) Quality Control for Audits of Historical Financial Information (ISA 220) Documentation (ISA 230) Auditor's Responsibility to Consider Fraud in an Audit of Financial Statements (ISA 240) Communication of Audit Matters with Those Charged With Governance (ISA 260) Planning an Audit of Financial Statements (ISA 300) Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement (ISA 315) Audit Materiality (ISA 320) The Auditor's Procedures in Response to Assessed Risks (ISA 330) Audit Evidence (ISA 500) Audit of Accounting Estimates (ISA 540) Related Parties (ISA 550) Management Representations (ISA 580) The Audit of Group Financial Statements (ISA 600) Using the Work on an Expert (ISA 620) The Independent Auditor's Report on a Complete Set of General Purpose Financial Statements (ISA 700) Modifications to the Opinion in the Independent Auditor's Report (ISA 705) Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report (ISA 706) The Independent Auditor's Report on Other Historical Financial Information (ISA 701) The Independent Auditor's Report on Summary Audited Financial Statements (ISA 800)	X	
Terms of Audit Engagements (ISA 210) Consideration of Laws and Regulations in an Audit of Financial Statements (ISA 250) Audit Considerations Relating to Entities Using Service Organizations (ISA 402) Audit Evidence — Additional Considerations for Specific Items (ISA 501) External Confirmations (ISA 505) Initial Engagements — Opening Balances (ISA 510) Analytical Procedures (ISA 520) Audit Sampling and Other Means of Testing (ISA 530) Auditing Fair Value Measurements and Disclosures (ISA 545) ³ Subsequent Events (ISA 560) Going Concern (ISA 570) Considering the Work of Internal Auditing (ISA 610) Comparatives (ISA 710) Other Information in Documents Containing Audited Financial Statements (ISA 720)		X

³ Consideration will be given to whether the redrafted ISA 540 (following the clarity proposal) should subsume some or all aspects of ISA 545, as part of the effort to reduce duplicate guidance.

Appendix 4: The International Auditing and Assurance Standards Board

The IAASB is a standard-setting body designated by, and operating independently under, the auspices of the IFAC.⁴ Its goal is to serve the public interest by setting high-quality auditing, assurance, quality control and related services standards and by facilitating the convergence of international and national standards, thereby enhancing the quality and uniformity of practice throughout the world and strengthening public confidence in the global auditing and assurance profession.

Due Process

IAASB pronouncements are developed following a due process that includes input from the general public, IFAC member bodies and their members, and the IAASB Consultative Advisory Group (CAG) representing regulators, preparers and users of financial statements.

The process outlined below applies to the development of all IAASB standards.

Research and consultation

A task force is ordinarily established with the responsibility to develop a draft standard or practice statement. The task force develops its positions based on appropriate research and consultation.

Transparent debate

A proposed standard is presented for discussion and debate at an IAASB meeting, which is open to the public.

Exposure for public comment

Exposure drafts are placed on the IAASB's website and are widely distributed for public comment. The exposure period is ordinarily no shorter than 120 days. The public has access to comment letters.

Consideration of comments received on exposure

The comments and suggestions received as a result of exposure are considered at an IAASB meeting, which is open to the public, and the exposure draft is revised as appropriate. If the IAASB believes the changes made after exposure are substantive and require re-exposure, the revised document will be reissued for further comment.

Affirmative approval

Approval of exposure drafts, re-exposure drafts, international standards and practice statements is made by the affirmative vote of at least two-thirds of the members.

⁴ The International Federation of Accountants (IFAC) is the worldwide organization of the accountancy profession. It is dedicated to serving the public interest, strengthening the worldwide accountancy profession and contributing to the development of strong international economies. Its current membership consists of 163 professional accountancy bodies in 119 countries, representing more than 2.5 million accountants in public practice, education, government service, industry and commerce.

Role of the Public Interest Oversight Board

An international Public Interest Oversight Board (PIOB) oversees IFAC's public interest activities. The objective of the PIOB is to increase confidence of investors and others that such activities, including the setting of IAASB standards, are properly responsive to the public interest. PIOB members are nominated by international institutions and regulatory bodies. David Brown, former chair of the Ontario Securities Commission, and Michael Hafeman, former assistant superintendent of financial institutions at the Office of the Superintendent of Financial Institutions (OSFI), are Canadian members at the PIOB.

Role of the IAASB CAG

The CAG comprises representatives of regulators, business and international organizations, as well as users and preparers of financial statements, who are interested in the development of high-quality international standards on auditing, assurance, quality control and related services. Through active consultation, the IAASB receives valuable public interest input from the CAG on its agenda, project timetable, priorities and technical issues.

Further information about the IAASB, its pronouncements and the processes it observes in developing its international standards is available at www.ifac.org/IAASB.

Appendix 5: Comparison between Canadian standards and ISAs

(A more detailed comparison of individual Canadian standards and ISAs is available at www.cica.ca/aasb.)

Legal and regulatory environment

Because ISAs have to apply to any legal and regulatory environment, they tend to be more generic than national equivalents. For this reason, few jurisdictions have completely abandoned their standard-setting activities. There continues to be a need to interpret ISAs in the context of the local regulatory environment.

A number of Canadian standards deal specifically with the Canadian environment, for example:

- sections dealing with specialized areas such as auditor involvement with offering documents of public and private entities;
- communications with law firms;
- communications with actuaries; and
- auditor's report on financial statements of federally regulated financial institutions.

Objective and fundamental principles of auditing

Canadian standards and ISAs are founded on similar general objective and fundamental principles of auditing, such as the following:

- The objective of an audit is to enable an auditor to express an opinion on whether the financial statements taken as a whole are free from material misstatement.
- An auditor acts with due care and with an objective state of mind.
- An auditor applies professional scepticism to achieve a critical assessment of evidence obtained.
- An auditor is not associated with misleading information.
- An auditor obtains sufficient appropriate audit evidence to afford a reasonable basis to support the content of the report.
- An auditor provides a clear report of the results and conclusions of the work performed.

Layout and format standards

Canadian Handbook	IAASB Handbook
Contains Handbook Sections and Assurance and Related Services Guidelines	Contains ISAs and International Auditing Practice Statements (IAPs)
The professional standards — Recommendations — are contained in italicized type. Explanatory material is contained in unitalicized type.	Basic principles and essential procedures are contained in bold type. Explanatory material is contained in grey lettering.

<p>Contains standards for:</p> <ul style="list-style-type: none"> • Assurance engagements • Review engagements • Related services 	<p>Contains standards for:</p> <ul style="list-style-type: none"> • Assurance engagements • Review engagements • Related services
<p>Material includes specific guidance, where necessary, with respect to:</p> <ul style="list-style-type: none"> • Audits of small entities • Public sector audits <p>Such material is integrated into the guidance and generally not separately identified.</p>	<p>Material includes specific guidance, where necessary, with respect to:</p> <ul style="list-style-type: none"> • Audits of small entities • Public sector audits <p>Such material is generally separately identified in the guidance.</p>

Other differences

Certain matters are not addressed in the auditing standards because they are the responsibility of the provincial institutes and are addressed in the rules of professional conduct, for example communications between predecessor and successor auditors and confidentiality.

NOTICE TO READER

This CICA publication has not been adopted, endorsed, approved, disapproved or otherwise acted upon by the Auditing and Assurance Standards Board (AASB), any CICA board or committee, the governing body or membership of the CICA, or any Provincial Institute/Ordre.

Users of this comparison should note that it may not identify all the differences between Canadian GAAS and the ISAs that are significant to a particular engagement. To understand fully the implications of auditing financial statements in accordance with ISAs, auditors should refer to the standards themselves.

COMPARISON OF INTERNATIONAL STANDARDS ON AUDITING AND CANADIAN GENERALLY ACCEPTED AUDITING STANDARDS AS AT MAY 1, 2006

The International Auditing and Assurance Standards Board (IAASB) develops and issues International Standards on Auditing (ISAs). Canadian Generally Accepted Auditing Standards (Canadian GAAS) are developed and issued by the Auditing and Assurance Standards Board (AASB).

The purpose of this document is to provide an overview of key differences between the ISAs and Canadian GAAS. These differences include the following:

- (a) Additional requirements¹ in Canadian GAAS — these are matters for which Canadian GAAS contains requirements over and above those contained in the ISAs.
- (b) Additional requirements in the ISA — these are matters for which the ISA contains requirements over and above those contained in Canadian GAAS.
- (c) Other key differences — these are matters other than those noted in (a) and (b) that are also considered important when considering how the ISAs compare to Canadian GAAS.

The ISAs and CICA Handbook – Assurance Sections included in this comparison are those that have been released as at the date of comparison, even though the standard may not come into effect until a later date.

¹ The word “requirements” is used in the context of the auditor’s ability to exercise his or her professional judgment, as discussed in Section 5021, *Authority of Auditing and Assurance Standards and Other Guidance*.

ISA 200, Objective and General Principles Governing an Audit of Financial Statements

Comparable CICA Handbook – Assurance Sections:

- Section 5090, *Audit of Financial Statements*
- Section 5095, *Reasonable Assurance and Audit Risk*
- Section 5100, *Generally Accepted Auditing Standards*

(a) *Additional requirements in the Handbook Sections:*

None.

(b) *Additional requirements in the ISA:*

ISA 200 requirement regarding the objective of an audit refers to “an applicable financial reporting framework.” The ISA also requires the auditor to determine whether the financial reporting framework adopted by management is acceptable. Much of this material reflects the need for the ISAs to cover the different types of financial reporting environments in various countries. The ISA also contains considerable discussion of financial reporting frameworks (i.e., their acceptability and authority). Section 5100 covers the relevant reporting frameworks in Canada, which are Canadian generally accepted accounting principles (GAAP) or a basis other than GAAP. For the latter, Section 5100 refers to Section 5600, *Auditor’s Report on Financial Statements Prepared Using a Basis of Accounting Other than Generally Accepted Accounting Principles*, which contains requirements and supporting guidance on how auditors should deal with these circumstances.

ISA 200 requires the auditor to comply with relevant ethical requirements, which supporting guidance states ordinarily comprise parts A and B of the *IFAC Code of Ethics for Professional Accountants*. In Canadian GAAS, ethical matters such as the auditor’s need for objectivity, due care, etc., are covered by requirements in the general standard in Section 5100. Supporting guidance makes a brief reference to the general standard expressing the spirit of the rules of professional conduct for Canadian chartered accountants. These rules are set by the Provincial Institutes (PICA/ordre) of Chartered Accountants. Other Canadian professional accounting bodies set their own codes of ethics.

(c) *Other key differences:*

None.

ISA 210, Terms of Audit Engagements

Comparable CICA Handbook – Assurance Section:

- Section 5110, *Terms of the Engagement*

(a) *Additional requirements in the Handbook Section:*

In addition to the requirements contained in ISA 210, Section 5110 requires:

- the terms of the engagement to be in writing (the AASB feels that documenting the terms of engagement in writing will help ensure clarity and mutual understanding of the terms of engagement); and
- the written terms of agreement to set out:
 - the objectives, scope and limitations of the engagement;
 - the responsibilities of the auditor, including the requirement to perform the audit in accordance with GAAS (a list of specific responsibilities that must be addressed in the letter is provided);
 - management’s responsibilities (a list of specific responsibilities of management that must be addressed in the letter is provided); and
 - other matters relevant and important to the engagement.

(The AASB feels that uniformity of practice in setting the terms of the engagement is particularly important, and the standard is more effective if it sets out detailed requirements regarding the contents of the letter.)

(b) *Additional requirements in the ISA:*

ISA 210 contains the following requirements over and above those contained in Section 5110:

- ISA 210 requires the auditor to accept the engagement only if the accounting framework is suitable or required by law. Section 5110 allows the auditor to accept an engagement to report on a disclosed basis of accounting other than GAAP. Section 5600 provides requirements to be met when reporting on such engagements, including restrictions on acceptance of certain engagements.
- ISA 210 requires the auditor, on recurring audits, to consider whether circumstances require the terms of the engagement to be revised and whether there is a need to remind the client of the existing terms of the engagement. Section 5110 covers this matter in the form of guidance, rather than a requirement. Since there is a requirement to have a written agreement that reflects the terms of the engagement, such a letter would, of necessity, need to be updated for any changes in the engagement. Therefore, the AASB feels that there is no need for a separate requirement as set out in ISA 210.
- ISA 210 contains requirements related to circumstances when the auditor is requested to change the engagement to one that provides a lower level of assurance. Section 5110 does not contain such requirements. The AASB feels that this would entail deciding whether to accept a new engagement to review financial statements. Such acceptance is covered by Section 8200, *Public Accountant's Review of Financial Statements*, which contains “terms of engagement” requirements for review engagements that closely parallel the relevant requirements in Section 5110.

(c) *Other key differences:*

None.

ISA 220, Quality Control for Audits of Historical Financial Statements

Comparable CICA Handbook – Assurance Section:

- Section 5030, *Quality Control Procedures for Assurance Engagements*

(a) Additional requirements in the Handbook Section:

Section 5030 covers all assurance engagements (i.e., audits and reviews) but not non-assurance services such as engagements to perform a compilation or specified auditing procedures. ISA 220 covers only financial statement audits. Section 5030 also:

- requires the practitioner to:
 - actively promote a quality control culture on each engagement;
 - follow appropriate procedures in resolving differences of opinion (i.e., the ISA requires the audit partner to follow the firm’s policies and procedures; the wording of Section 5030 anticipates circumstances where a deficiency may be identified in the policies and procedures of the firm, in which case the practitioner should not follow the deficient procedure but instead substitute an appropriate procedure);
 - not issue the report until disagreements are resolved; and
 - ensure that the engagement quality control review is appropriately documented;
- requires the engagement quality control review to address other significant matters;
- is more specific in requirements related to the audit partner’s responsibility for matters such as planning and review of the work and actions the partner takes if problems are identified in the firm’s policies and procedures regarding independence; and
- contains more specific supporting guidance on matters to be addressed by a quality control review and the attributes of those who would perform the review.

(b) Additional requirements in the ISA:

None.

(c) Other key differences:

None.

ISA 230, Documentation

Comparable CICA Handbook – Assurance Section:

- Section 5145, *Documentation*

(a) Additional requirements in the Handbook Section:

In addition to the requirements contained in ISA 230, Section 5145 requires:

- audit documentation that:

- demonstrates that the underlying accounting records agree or reconcile with the financial statements;
- demonstrates that the work was, in fact, performed;
- is appropriately organized to provide a clear link to the significant findings or issues; and
- includes the identification of all significant findings or issues in an engagement completion document;
- the auditor to:
 - document the procedures performed, evidence obtained and conclusions reached with respect to relevant financial statement assertions;
 - document significant findings or issues, actions taken to address them (including additional evidence obtained), and the basis for the conclusions reached for each engagement; and
 - complete all necessary auditing procedures and obtain sufficient evidence to support the representations in the auditor’s report prior to the report release date.

(b) Additional requirements in the ISA:

ISA 230 requires the auditor to document, in exceptional circumstances where the auditor judges it necessary to depart from a basic principle or an essential procedure that is relevant in the circumstances of the audit, how the alternative audit procedures performed achieved the objective of the audit, and, unless otherwise clear, the reasons for the departure. The AASB has included a similar requirement relating to adherence to all professional standards in Section 5021, *Authority of Auditing and Assurance Standards and Other Guidance*. Section 5021 requires the auditor not to depart from Recommendations unless there is a clear and compelling reason to do so. The auditor is required to document the reason for any departure, and how the alternative was sufficient to achieve the objectives of the Recommendations.

(c) Other key differences:

Section 5145 requires the auditor to assemble a completed and final audit file as at a date not more than 45 days:

- after the report release date, if a report is issued in connection with the engagement;
- from the date that the examination was substantially completed, if a report is not issued in connection with the engagement; or
- from the date the engagement ceased, if the auditor was unable to complete the engagement.

For purposes of this Section, the report release date is defined as the date the auditor grants permission to use the auditor’s report in connection with the issuance of the entity’s financial statements.

ISA 230 requires the auditor to complete the assembly of the final audit file on a timely basis after the date of the auditor's report, and suggests that 60 days after the date of the auditor's report is ordinarily an appropriate time limit.

ISA 240, The Auditor's Responsibility to Consider Fraud in an Audit of Financial Statements

Comparable CICA Handbook – Assurance Section:

- Section 5135, *The Auditor's Responsibility to Consider Fraud*

(a) *Additional requirements in the Handbook Section:*

In addition to the requirements in ISA 240, Section 5135 has requirements dealing with the following:

- matters, in addition to those noted in ISA 240, that the auditor should communicate with those having oversight of the financial reporting process, including:
 - questions regarding the honesty and integrity of management;
 - fraud (whether caused by management or other employees) that results, or may result, in a non-trivial misstatement of the financial statements (note: ISA 240 requires the auditor to report only “material misstatements”); and
 - matters that may cause future financial statements to be materially misstated; and
- communications with a successor auditor when fraud or suspected fraud was a factor in the existing auditor's withdrawal from the engagement.

(b) *Additional requirements in the ISA:*

None.

(c) *Other key differences:*

Section 5135 states that communication with management should be made “on a timely basis”, rather than “as soon as practicable” (the term used in ISA 240). The term “on a timely basis” is used in Section 5750, *Communication with Management of Matters Identified During the Financial Statement Audit*, and in ISA 260.

ISA 240 contains a requirement for the auditor to consider whether there are any other matters related to fraud to be discussed with those charged with governance of the entity. In Canadian standards, this requirement is contained in Section 5751 and it is therefore not repeated in Section 5135.

ISA 250, Consideration of Laws and Regulations in an Audit of Financial Statements

Comparable CICA Handbook – Assurance Section:

- Section 5136, *Misstatements — Illegal Acts*

(a) *Additional requirements in the Handbook Section:*

None.

(b) *Additional requirements in the ISA:*

ISA 250 sets out requirements that contain more specific procedures than Section 5136, including the following:

- inspecting correspondence with the relevant licensing or regulatory authorities (Section 5136 lists this procedure as one to consider performing based on the auditor's risk assessment); and
- a requirement to be alert for possible indications of possible illegal acts when performing audit procedures (Section 5136 notes this in supporting guidance, but there is no requirement).

ISA 250 deals with withdrawal from the engagement and refers to ethical requirements. In Canada, such matters are dealt with in rules of professional conduct for public accountants.

(c) *Other key differences:*

ISA 250 is not risk-based. Section 5136 is risk-based, and contains guidance on assessing risk and performing audit procedures in response to assessed risks. The selection of audit procedures is left to the professional judgment of the auditor based on his or her risk assessment, consistent with the application of the audit risk model.

ISA 250 has requirements related to the application of professional scepticism, the need to obtain sufficient appropriate audit evidence and to express an appropriate type of report reservation when circumstances indicate there are material misstatements or a scope limitation related to illegal acts. Since these matters are covered by other Canadian GAAS and there are no aspects of these matters unique to illegal acts, they are not dealt with explicitly in Section 5136.

ISA 260, Communication of Audit Matters with Those Charged with Governance

Comparable CICA Handbook – Assurance Section:

- Section 5751, *Communications with Those Having Oversight of the Financial Reporting Process*

(a) *Additional requirements in the Handbook Section:*

Section 5751 is more directive in requiring the auditor to communicate certain matters, such as the auditor's independence, matters that have a significant effect on

the qualitative aspects of the entity's accounting principles used in its financial reporting, fraud and misstatements arising from error, illegal or possibly illegal acts, significant weaknesses in internal control and related party transactions that are not in the normal course of operations and that involve significant judgments made by management concerning measurement and disclosure. Supporting guidance for these additional requirements is also provided.

(b) Additional requirements in the ISA:

ISA 260 has a requirement regarding the timeliness of communications. In Section 5751, timeliness is dealt with in supporting guidance.

(c) Other key differences:

Section 5751 distinguishes between communications required with respect to audits of entities with public accountability and audits of other entities.

ISA 300, Planning an Audit of Financial Statements

Comparable CICA Handbook – Assurance Section:

- Section 5150, *Planning*

(a) Additional requirements in the Handbook Section:

None.

(b) Additional requirements in the ISA:

None.

(c) Other key differences:

ISA 300 refers, as an example, to the use of a brief memorandum as a basis for planning a small audit engagement. Section 5150 does not use this example, as the AASB felt it was likely to be misinterpreted, resulting in insufficient documentation of small audit engagements.

The ISA has guidance that refers to reviewing the previous auditor's working papers in the case of an initial engagement. Section 5150 refers to discussions with the predecessor auditor since, in Canada, the auditor will not necessarily be able to review the predecessor auditor's working papers.

ISA 315, Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement

Comparable CICA Handbook – Assurance Section:

- Section 5141, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*

(a) Additional requirements in the Handbook Section:

Section 5141 states that the auditor should obtain a written representation from management that it acknowledges its responsibility for the design and implementation of internal control to prevent and detect error. The AASB feels that management's acceptance of responsibility for the design and implementation of internal control is fundamental to the audit engagement and should be documented in writing.

Section 5141 contains a recommendation stating that the auditor should obtain an understanding of the measurement and review of the entity's financial performance. The wording in the ISA is identical but is not black-lettered, and therefore, under the ISA convention, is not a requirement.

(b) Additional requirements in the ISA:

ISA 315 requires the auditor to consider information obtained from other sources, such as engagement acceptance and continuance procedures (Section 5141 uses similar wording to the ISA, but as supporting guidance rather than a requirement).

(c) Other key differences:

Section 5141 and ISA 315 both deal with communication of material weaknesses in internal control that have come to the auditor's attention. However, Section 5141, for better clarity, deals separately with communication with those charged with governance (i.e., the audit committee or equivalent) and communication with management.

ISA 320, Audit Materiality

Comparable CICA Handbook – Assurance Section/Guideline:

- Section 5142, *Materiality*
- AuG-41, *Applying the Concept of Materiality*

Note:

ISA 320 establishes standards for and provides guidance on the concept of materiality and its relationship with audit risk. Section 5142, *Materiality*, addresses these matters, and additional guidance is provided by AuG-41.

Section 5142 is effective for periods beginning on or after January 1, 2006. It replaces previous section 5130, *Materiality and Audit Risk in Conducting an Audit*, which dealt with both materiality and audit risk.

Section 5142 and AuG-41 provide more extensive guidance than the current ISA 320. However, the IAASB is currently in the process of updating ISA 320. It is expected that the revised ISA 320 will be largely consistent with Section 5142. The plan is to converge Section 5142 with the revised ISA 320 once the latter is approved by the IAASB.

ISA 330, The Auditor's Procedures in Response to Assessed Risks

Comparable CICA Handbook – Assurance Section:

- Section 5143, *The Auditor's Procedures in Response to Assessed Risks*

(a) *Additional requirements in the Handbook Section:*

None.

(b) *Additional requirements in the ISA:*

None.

(c) *Other key differences:*

Section 5143 provides guidance on the auditor's evaluation of the risk of management override of controls when designing substantive analytical procedures. The AASB added this guidance because it felt there was a need to emphasize why substantive analytical procedures alone are not well suited to detecting fraud.

Section 5143 modifies guidance contained in ISA 330 to more clearly and strongly state that, before using the results obtained from substantive analytical procedures, the auditor either tests the design and operating effectiveness of controls over financial information used in the substantive analytical procedures or performs other procedures to support the completeness and accuracy of the underlying information.

ISA 402, Audit Considerations Relating to Entities Using Service Organizations

Comparable CICA Handbook – Assurance Section:

- Section 5310, *Audit Evidence Considerations when an Entity Uses a Service Organization*

(a) *Additional requirements in the Handbook Section:*

Section 5310 contains more specific and detailed requirements than those in ISA 402 regarding the following matters:

- evaluating the operating effectiveness of the controls at the service organization by obtaining the service auditor's report or performing tests of controls at the service organization;
- matters to consider in assessing the sufficiency and appropriateness of audit evidence provided by the service auditor's report, including the timing of the

service auditor's tests of controls for certain assertions and the nature, source and interrelationships among the audit evidence;

- consideration of complementary user organization controls relevant to the entity;
- assessing the effect of a reservation in the service auditor's report; and
- circumstances when the auditor becomes aware of a weakness in internal control.

The AASB felt that requirements more detailed and extensive than those set out in ISA 402 were warranted because of the growing significance of the use of service organizations.

(b) *Additional requirements in the ISA:*

None.

(c) *Other key differences:*

ISA 402 requires the auditor to have sufficient understanding of the entity and its environment. This requirement is a duplication of requirements in other sections. Section 5310 refers readers to Section 5141, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement* (which is the equivalent of ISA 315).

Section 5310 has a different structure, and provides more extensive supporting guidance than ISA 402. For example, Section 5310 has 42 paragraphs compared to the 18 paragraphs in ISA 402. The AASB felt that more extensive guidance in this area was warranted, given the somewhat complex issued involved in using the report of a service auditor.

ISA 500, Audit Evidence

Comparable CICA Handbook – Assurance Section:

- Section 5300, *Audit Evidence*

(a) *Additional requirements in the Handbook Section:*

Section 5300 contains a requirement stating that when information produced by the entity is used by the auditor to perform audit procedures, the auditor should obtain audit evidence about the accuracy and completeness of the information. ISA 500 contains the same wording, but is not a requirement since the material is not “black-lettered”, which is the ISA convention for requirements.

(b) *Additional requirements in the ISA:*

None.

(c) *Other key differences:*

Section 5300 provides guidance on testing and the persuasiveness of audit evidence that is not contained in ISA 500. This material was carried forward from a previous

version of Section 5300 because the AASB felt it was useful guidance that would significantly help users understand key aspects of matters underlying the concept of audit evidence. This material deals, for example, with:

- reasons why testing (vs. a 100 percent audit) is appropriate;
- categories of audit tests that can be used; and
- statistical vs. non-statistical testing.

ISA 501, Audit Evidence — Additional Considerations for Specific Items

Comparable CICA Handbook – Assurance Sections/Guideline:

- Section 6030, *Inventories*
- Section 6560, *Communications with Law Firms Regarding Claims and Possible Claims*
- AuG-26, *Applying Audit Procedures to Segment Disclosures in Financial Statements*

(a) Additional requirements in the Handbook Sections/Guideline:

Section 6030 has requirements regarding attendance at physical counts of inventory and auditing inventory valuation. Part A of ISA 501 covers only attendance at physical counts of inventory.

Section 6560 has more extensive requirements regarding communications with the entity's law firm than those in ISA 501. Section 6560 requires the auditor to:

- use an enquiry letter that address "outstanding or possible claims", while the ISA limits the requirement for an enquiry letter to those circumstances when litigation or claims have been identified or when the auditor believes they may exist;
- address any restriction in a response from the law firm;
- address disagreements in the evaluation of claims; and
- enquire into new matters arising subsequent to the original enquiry made to the law firm.

The AASB feels that more detailed requirements are required to achieve consistency of key aspects of practice in matters dealing with communications with client's legal counsel.

(b) Additional requirements in the ISA:

ISA 501 has requirements relating to:

- issuing an enquiry letter for routine matters of an identified type;
- dealing with situations when management refuses to give the auditor permission to communicate with the law firm; and
- audit procedures to become aware of litigation and claims.

Part D of ISA 501, *Valuation and Disclosure of Long-Term Investments*, deals with matters not addressed in the Handbook.

(c) *Other key differences:*

ISA 501 has requirements stating that when segment information is material to the financial statements, the auditor should obtain sufficient appropriate audit evidence regarding its presentation and disclosure. However, this is a requirement for all material financial statement items, therefore Canadian GAAS has no specific requirement regarding this matter.

Requirements in the ISAs and Canadian GAAS regarding attendance at inventory stocktaking do not have the same wording, but are consistent in all significant respects.

AuG-26 provides more detailed guidance than ISA 501 on the procedures that the auditor would consider applying to segment disclosures.

ISA 505, External Confirmations

Comparable CICA Handbook – Assurance Section:

- Section 5303, *Confirmation*

(a) *Additional requirements in the Handbook Section:*

Section 5303 requires the use of confirmation as a means of obtaining audit evidence regarding accounts receivable except in certain specific circumstances. ISA 505 has no requirement to confirm accounts receivable.

(b) *Additional requirements in the ISA:*

ISA 505 has requirements that deal with:

- determining whether use of external confirmation is necessary to obtain sufficient appropriate audit evidence;
- tailoring the external confirmation request to the specific audit objective;
- requests by management that the auditor not confirm certain balances or information; and
- a possible resulting limitation in audit scope if the auditor feels that management's request not to confirm certain information is not valid.

Section 5303 deals with the first three items above, but does not contain requirements related to them. The AASB felt that there was no need for requirements regarding these matters — guidance only was sufficient. Section 5303 does not deal with a potential limitation in scope noted in the fourth bullet above. Such a situation would be similar to other limitation of scope situations and was not considered to warrant separate requirements or discussion.

(c) *Other key differences:*

ISA 505 and Section 5303 both indicate that the use of a negative confirmation is appropriate when the auditor has no reason to believe that the recipient would disregard the request. However, the ISA also states that negative confirmation

requests are only appropriate when the assessed risk of material misstatement is lower, a large number of small balances are involved, and a substantial number of errors are not expected. Section 5303 does not impose these restrictions.

Section 5303 provides the auditor with two options when faced with a non-response to a positive confirmation: perform other audit procedures to obtain sufficient appropriate evidence, or treat the non-response as an error. The ISA provides only that the auditor should perform alternative procedures where no response is received to a positive external confirmation request.

ISA 510, Initial Engagements — Opening Balances

Comparable CICA Handbook – Assurance Section:
None.

Note:

ISA 510 establishes standards for and provides guidance regarding opening balances when the financial statements are audited for the first time or when the financial statements for the prior period were audited by another auditor. Many of the requirements in ISA 510 relate to reporting matters that are dealt with in Section 5510, *Reservations in the Auditor’s Report*, and Assurance and Related Services Guideline AuG-8, *Auditor’s Report on Comparative Financial Statements*. Section 5150, *Planning*, contains some guidance regarding audit planning considerations for initial audit engagements. (There is also non-authoritative CICA Audit Technique Study, “The First Audit Engagement,” which discusses in detail matters related to initial audit engagements.)

ISA 520, Analytical Procedures

Comparable CICA Handbook – Assurance Section:

- Section 5301, *Analysis*

(a) Additional requirements in the Handbook Section:

Section 5301 contains requirements regarding matters that the auditor should consider when using an analytical procedure as a substantive procedure. These matters are noted in the ISA but are not set out as requirements.

(b) Additional requirements in the ISA:

None.

(c) Other key differences:

Section 5301 and ISA 520 do not have the same wording or format, but cover essentially the same material.

ISA 530, Audit Sampling and Other Means of Testing

Comparable CICA Handbook – Assurance Section:

None.

Note:

ISA 530 establishes standards for and provides guidance on the use of audit sampling procedures and other means of selecting items for testing to gather audit evidence.

Audit Evidence, paragraphs 5300.07-.18, discuss the concept of testing generally but does not provide detailed guidance on the application of audit sampling procedures or the evaluation of sample results. The AASB has not given convergence with ISA 530 a high priority since most practitioners would be familiar with sampling and other testing procedures and the need for standards in this area is not considered particularly urgent.

ISA 540, Audit of Accounting Estimates

Comparable CICA Handbook – Assurance Section:

- Section 5305, *Audit of Accounting Estimates*

(a) *Additional requirements in the Handbook Section:*

None.

(b) *Additional requirements in the ISA:*

ISA 540 has requirements regarding the approaches an auditor should adopt to auditing accounting estimates, and making final assessments of the reasonableness of the accounting estimates. Section 5305 contains similar guidance, but not in the form of requirements.

(c) *Other key differences:*

The ISA provides more detailed guidance than that contained in Section 5305. However, Section 5305 provides more guidance concerning the auditor's consideration of the effect of bias in the preparation of accounting estimates.

ISA 545, Auditing Fair Value Measurements and Disclosures

Comparable CICA Handbook – Assurance Section:

- Section 5306, *Fair Value Measurements and Disclosures*

(a) *Additional requirements in the Handbook Section:*

None.

(b) *Additional requirements in the ISA:*

None.

(c) *Other key differences:*

Section 5306:

- while using the same wording as ISA 545, sets out certain matters in separate paragraphs to improve clarity;
- discusses the application of Canadian GAAP regarding fair values, whereas ISA 545 makes reference to the possible requirements of an accounting framework;
- does not contain the example of management’s plan to dispose of an asset that is set out in ISA 545 (the example was not considered appropriate in the context of Canadian GAAP);
- does not have guidance similar to ISA 545 dealing with items incapable of reasonable estimation (the paragraph was not considered appropriate in the context of Canadian GAAP); and
- uses the subheading “evaluating management’s significant assumptions” whereas ISA 545 refers to “testing management’s significant assumptions”. The AASB felt the subheading “testing” was not consistent with related guidance.

ISA 550, Related Parties

Comparable CICA Handbook – Assurance Section:

- Section 6010, *Audit of Related Party Transactions*

(a) Additional requirements in the Handbook Section:

Section 6010 contains requirements regarding the assessment of risks for related party transactions. ISA 550 was issued before ISA 400, *Risk Assessments and Internal Control* (which was withdrawn in December 2004), and is a procedures-based document. Section 6010 adopts a risk-based approach. Accordingly, compliance with Section 6010 will not necessarily result in the performance of the same procedures as those set out in the ISA.

Section 6010 contains a requirement for the auditor to inform the audit committee when the auditor has become aware of a related party transaction not in the normal course of business.

Section 6010 requires the auditor to verify that Canadian GAAP regarding the measurement of related party transactions has been followed. ISA 550 does not deal specifically with auditing the measurement of related party transactions.

(b) Additional requirements in the ISA:

ISA 550 requires the auditor to perform specific procedures to verify the completeness of related party information provided by management and those charged with governance (although the ISA states that these procedures can be modified in lower risk situations). Section 6010 takes a risk-based approach, and although it suggests procedures similar to those in ISA 550, these are not required.

ISA 550 has specific requirements regarding reviewing information provided by those charged with governance, auditing adequacy of disclosure, considering control activities for related party transactions, and modification of the auditor’s

report. Since these matters are applicable to all material financial statement items and are covered by requirements in other Sections, they are not duplicated in Section 6010.

(c) *Other key differences:*

The wording and format of Section 6010 and ISA 550 differ, although they cover much the same ground (with the exceptions noted above).

ISA 560, Subsequent Events

Comparable CICA Handbook – Assurance Sections:

- Section 6550, *Subsequent Events*
- Section 5405, *Date of the Auditor’s Report*

(a) *Additional requirements in the Handbook Sections:*

None.

(b) *Additional requirements in the ISA:*

Paragraph 19 of ISA 560 requires the auditor to consider legal and related requirements. Such requirements in Canada are addressed in other standards, and there is therefore no need for an equivalent paragraph.

(c) *Other key differences:*

ISA 560 has a requirement for the auditor to modify his or her report when management does not amend its financial statements when needed with respect to a subsequent event. There is no corresponding requirement in Section 6550. This matter is no different than others covered by standards dealing with reservations in the auditor’s report and need not be dealt with explicitly in the subsequent events standards.

The wording of the ISA and the Canadian standards is not identical, but covers substantially the same ground (except for the differences noted here).

When financial statements are amended subsequent to the date of the auditor's report but before the financial statements are issued, ISA 560 states that the auditor would date the auditor's report no earlier than the date on which the amended financial statements are signed or approved, and would update his or her work to that date. Section 5405 does not require this automatically and contemplates two possible situations:

- When the amendment arises because evidence or documentation received subsequent to substantial completion of the audit is at variance with that which was anticipated, Section 5405 permits the auditor to retain the original report date, except when there is an indication that reliance on the previously obtained audit evidence is undermined or when the additional work is sufficiently extensive to call into question the initial decision as to the substantial completion of the audit.

- When the amendment relates to disclosure in the financial statements of an event that occurred after the date of the auditor's report but before its release, the auditor is permitted to examine the specific item and double date the report. The AASB believes that this approach is more appropriate than that set out in the ISA.

ISA 570, Going Concern

Comparable CICA Handbook – Assurance Section:

None. The AASB currently has a project to develop standards and guidance related to going concern.

ISA 580, Management Representations

Comparable CICA Handbook – Assurance Section:

- Section 5370, *Management Representations*

(a) Additional requirements in the Handbook Section:

Section 5370 includes a detailed list of matters that the auditor is required to include in the letter of representation to be obtained by management (the detailed list is incorporated by reference in a Recommendation paragraph). The list is much more extensive than that contained in ISA 580.

Section 5370 requires the auditor to obtain management's representation as a complement to, but not a substitute for, other audit evidence. ISA 580 contains the same concept, but not as a requirement.

Section 5370 requires that the date of management's representation letter be effective as of the date of the auditor's report. ISA 580 contains the same concept, but not as a requirement.

The AASB feels that the above matters were of sufficient importance to be elevated to the status of requirements.

(b) Additional requirements in the ISA:

None.

(c) Other key differences:

ISA 580 requires the auditor to "investigate the circumstances" when a management representation is contradicted and when necessary, reconsider the reliability of other representations made by management. Section 5370 contains a similar requirement, but the AASB changed the wording to make it more precise and directive. Section 5370 requires the auditor to "perform additional procedures to support or refute management's representation" and "determine whether reliance on other management's representations is appropriate and justified."

ISA 580 states that there are circumstances when enquiry, supported by a written representation by management, may be the only evidence available, and cites the example of evidence of management's intention to hold a specific investment for long-term appreciation. Section 5370 has the same concept, but notes that evidence to support management's intent may be contained in other sources such as minutes of meetings, legal documents and internal correspondence. That is, Section 5370 contains more guidance indicating that the circumstances when the auditor will need to rely solely on a representation from management as audit evidence will be rare (and likely more rare than ISA 580 would seem to indicate), and in such circumstances, the auditor needs to consider whether there has been a limitation in the scope of the audit.

ISA 600, Using the Work of Another Auditor

Comparable CICA Handbook – Assurance Section:

- Section 6930, *Reliance on Another Auditor*

(a) Additional requirements in the Handbook Section:

Section 6930 requires the primary auditor to obtain certain written representations from the secondary auditor. The ISA states only that the primary auditor would advise the secondary auditor of these matters. The AASB considered the need to obtain written representations sufficiently important to warrant a requirement.

Section 6930 prohibits reference to the secondary auditor in the report of the primary auditor when expressing an opinion without reservation. This is not addressed by ISA 600.

Section 6930 requires the auditor to carefully read the financial statements of the component and the report of the secondary auditor to identify any differences in accounting policies with those of the parent and identify and assess the impact of any reservation of opinion by the secondary auditor. ISA 600 covers similar ground, but does not have a specific requirement regarding these matters.

Section 6930 requires the primary auditor to review the working papers of the secondary auditor in cases when other procedures performed by the primary auditor do not provide him or her with the necessary assurance with respect to the work of the secondary auditor. ISA 600 does not have this specific requirement.

(b) Additional requirements in the ISA:

ISA 600 requires that a secondary auditor co-operate with the primary auditor. Section 6930 does not contain requirements or guidance directed at secondary (other) auditors. Matters of co-operation among auditors in Canada are dealt with in part in rules of professional conduct for public accountants.

ISA 600 notes that, in some jurisdictions, local regulations permit a primary auditor to base the audit opinion solely on the report of the secondary auditor. The ISA

permits this practice, provided the primary auditor's report states this fact clearly and indicates the magnitude of the portion of the financial statements audited by the secondary auditor. Section 6930 does not permit this practice.

(c) *Other key differences:*

The format and wording of ISA 600 and Section 6930 differ considerably, although they cover the same ground (except for the matters noted above).

ISA 610, Considering the Work of Internal Auditing

Comparable CICA Handbook – Assurance Section:

- Section 5050, *Using the Work of Internal Audit*

(a) *Additional requirements in the Handbook Section:*

Section 5050 has requirements not contained in ISA 610 that relate to:

- not referring in the auditor's report to the use of internal audit work; and
- actions the auditor must take if internal audit staff provide direct assistance to the auditor.

(b) *Additional requirements in the ISA:*

ISA 610 contains requirements regarding the auditor's need to obtain a sufficient understanding of internal audit activities and their effect, if any, on external audit procedures. Section 5050 has guidance on this matter, but no requirements.

(c) *Other key differences:*

The format and wording of Section 5050 is different from that of ISA 610.

ISA 620, Using the Work of an Expert

Comparable CICA Handbook – Assurance Section:

- Section 5049, *Use of Specialists in Assurance Engagements*

(a) *Additional requirements in the Handbook Section:*

Section 5049 requires the auditor to obtain reasonable assurance regarding the expertise, integrity, and appropriate degree of independence of the specialist (in relation to the practitioner's requirements).

Section 5049 requires the auditor to conclude on the reasonableness of the source data, assumptions, methods and findings of the specialist. ISA 620 covers these matters, but the details are set out as explanatory guidance rather than requirements.

Section 5049 has requirements relating to the following:

- the need for the practitioner, before accepting the engagement, to consider whether his or her involvement in the engagement and understanding of the subject matter are sufficient to discharge his or her responsibilities;

- the need to use a specialist when the practitioner’s expertise is insufficient to appropriately understand and assess significant aspects of an engagement;
- the need for the practitioner to be satisfied that there are no restrictions on what the specialist can communicate to the practitioner and that the specialist will preserve confidentiality of information; and
- use of a specialist in an engagement to provide a moderate level of assurance (i.e., a review engagement).

(b) Additional requirements in the ISA:

ISA 620 requires the auditor to resolve the matter when the results of the expert’s work do not provide sufficient appropriate audit evidence or are inconsistent with other audit evidence. Section 5049 covers this matter as supplementary guidance rather than a requirement.

(c) Other key differences:

Section 5049 covers all assurance engagements. ISA 620 deals only with the use of experts in a financial statement audit.

Section 5049 is significantly more comprehensive than ISA 620 in the supporting guidance it provides (i.e., the Section contains 85 paragraphs and 3 Appendices vs. only 17 paragraphs in ISA 620).

ISA 700, The Independent Auditor’s Report on a Complete Set of General Purpose Financial Statements

Comparable CICA Handbook – Assurance Sections:

- Section 5400, *The Auditor’s Standard Report*
- Section 5405, *Date of the Auditor’s Report*

(a) Additional requirements in the Handbook Sections:

Section 5400 and 5405 require the auditor to:

- exercise professional judgment as to the appropriateness of the selection and application of accounting principles;
- evaluate a change in accounting principle or method of its application;
- deal with various matters related to reporting under differential reporting requirements (i.e., GAAP for small enterprises) including determining that the enterprise is a non-publicly accountable enterprise, obtaining management’s representations regarding various aspects of eligibility to use differential reporting, and using a specified form and content for an auditor’s report covering the use of differential reporting; and
- deal with various matters relating to dating the auditor’s report, including double dating the report for specific subsequent events, and dealing with misstatements discovered after the release of the auditor’s report.

Some of these matters are dealt with in different ISAs. Matters regarding differential reporting may be largely unique to Canada because of requirements in Canadian GAAP.

(b) Additional requirements in the ISA:

ISA 700 requires the auditor's report to:

- contain a clear expression of the auditor's opinion, be in writing and clearly indicate that it is the report of an independent auditor (ISA 700 also requires the auditor to explicitly state that the audit evidence obtained supports the opinions; these requirements are implicit in the Canadian standards, but there are no specific requirements related thereto);
- state explicitly that management is responsible for internal control, selecting accounting policies and making accounting estimates; and
- set out explicitly specific matters regarding which the auditor exercises professional judgment.

ISA 700 requires the auditor to evaluate the conclusions drawn from audit evidence in forming an opinion.

ISA 700 has various requirements dealing with reporting under the ISAs and under laws or regulations in particular countries. These are not applicable to the standard auditor's report under Canadian standards.

ISA 700 has requirements to clearly identify unaudited material in the audited financial statements. Section 5400 deals with this matter in guidance rather than in a requirement.

(c) Other key differences:

The form of the ISA and the Section differ considerably (for example, requirements that are shared are not stated exactly the same way).

See responses above regarding differences between Section 5405 and ISA 560, *Subsequent Events*.

ISA 700 contains guidance on dealing with extremely rare circumstances when applying the financial reporting framework results in misleading financial statements. Section 5400 does not have equivalent guidance.

ISA 701, Modifications to the Independent Auditor's Report

Comparable CICA Handbook – Assurance Sections:

- Section 5400, *The Auditor's Standard Report*
- Section 5510, *Reservations in the Auditor's Report*

(a) Additional requirements in the Handbook Sections:

Section 5400 provides that unaudited financial information that could be construed to be part of the financial statements be clearly differentiated.

Section 5510 prohibits the auditor, when issuing a denial of opinion, to indicate the specific procedures performed.

Section 5510 also requires that, when expressing a reservation of opinion, if the effect on the financial statements of the matter causing the reservation is not reasonably determinable, the auditor so state and explain the reasons.

(b) Additional requirements in the ISA:

ISA 701 requires the auditor to add an emphasis of matter paragraph regarding a going concern problem, and states that consideration should be given to the addition of an emphasis of matter paragraph when there is a significant uncertainty, the resolution of which is dependent on future events and that may affect the financial statements.

(c) Other key differences:

None.

ISA 710, Comparatives

Comparable CICA Handbook – Assurance Section:

- Section 5701, *Other Reporting Matters*

(a) Additional requirements in the Handbook Section:

None.

(b) Additional requirements in the ISA:

ISA 710 contains requirements dealing with the following:

- The need to obtain sufficient appropriate audit evidence of whether the comparative figures comply in all material respects with the accounting framework. Section 5701 contains only guidance stating that it is normally desirable to carry on an investigation of the prior period's financial statements (based on the premise that the auditor is reporting on just the current year).
- The need to issue a report in which the comparative figures (presented as corresponding figures) are not specifically identified.
- The effect of modifications of the prior year's auditor's report on the current year's report. This matter is dealt with in guidance in Section 5701, rather than requirements.
- The effect of the discovery of a misstatement affecting the prior period's financial statements. Section 5701 mentions this circumstance and Section 5405 contains recommendations on dealing with subsequent discovery of a misstatement in the financial statements, but there are no requirements that parallel those in ISA 710 regarding this matter.

(c) Other key differences:

ISA 710 contemplates reporting on comparatives in two financial reporting frameworks: corresponding figures, and comparative financial statements. When

reporting on corresponding figures, the auditor's report refers only to the financial statements of the current period, but when reporting on comparative financial statements, the auditor's report refers to each period for which financial statements are presented. Canadian GAAS deals only with statements prepared on a comparative basis (the norm in Canada). Section 5701 explains that the auditor's report extends to the comparative figures only if such an extension is specifically stated in the report.

When the auditor's report on financial statements filed with a securities regulator is extended to cover the comparative financial statements for the immediately preceding period, Assurance and Related Services Guideline AuG-8, *Auditor's Report on Comparative Financial Statements*, provides guidance.

ISA 720, Other Information in Documents Containing Audited Financial Statements

Comparable CICA Handbook – Assurance Section:

- Section 7500, *Annual Reports, Interim Reports and Other Public Documents*

(a) *Additional requirements in the Handbook Section:*

Section 7500 requires the auditor to do the following:

- Arrange to obtain a “designated public document” (as specified in the Section) prior to the release of the document and perform the procedures set out in the Section (related to reviewing the material and looking for misstatements and inconsistencies). If the work cannot be done prior to release of the documents, it needs to be done as soon as practicable and consideration needs to be given to advising the audit committee of the circumstances.
- Determine that the financial statements and auditor’s report are accurately reproduced or appropriately summarized in a designated public document.
- Look for inconsistencies between not only the other information and the financial statements, but also inconsistencies with the knowledge obtained by the auditor during the course of the audit or review.
- Not to express any assurance (positive or negative) on the other information without performing an audit or review of it.
- When the auditor is unable to resolve a problem in a designated document, to inform the audit committee of the unresolved matter, to notify the board of directors that the auditor does not consent to the use of the auditor’s report in the document, and to consider resigning from the engagement.
- Be satisfied regarding the completeness and accuracy of any translation into another language of the financial statements and auditor’s report contained in a designated document.

Requirements in Section 7500 deal more explicitly with the consequences of the timing of the release of the designated documents (for example, a subsequent discovery of a misstatement in the financial statements arising from the reading of the public document).

(b) Additional requirements in the ISA:

The ISA requires that when there are unresolved differences with management regarding an apparent misstatement of fact, the auditor request management to consult a qualified third party and consider the advice received. Section 7500 deals with this matter as guidance rather than a requirement.

The ISA requires the auditor to consider adding an emphasis of matter paragraph to the auditor's report when an amendment is necessary to other information and the entity refuses to make the amendment. Section 7500 does not have this requirement since the "other information" is not part of the audited financial statements on which the auditor is reporting.

(c) Other key differences:

Section 7500 has more specific guidance on what types of reports are covered by the standard. It states that an auditor is deemed to be associated with the other information in two types of public documents, referred to as "designated public documents". The auditor is not obliged under this Section to perform procedures on any other document containing financial statements that he or she has audited or reviewed. ISA 720 states only that the standard applies to annual reports and may also apply to other documents.

Section 7500 covers financial statement audits and reviews, and therefore has a broader scope than ISA 720.

Section 7500 contains guidance regarding the identification of non-compliance with securities legislation or regulation as a result of reading a public document.

Section 7500 contains guidance emphasizing the need for a clear understanding and agreement, preferably in writing, between the auditor and the audited entity regarding the nature, timing and extent of the auditor's involvement with a public document.

ISA 800, The Auditor's Report on Special Purpose Engagements

Comparable CICA Handbook – Assurance Sections/Guideline:

- Section 5600, *Auditor's Report on Financial Statements Prepared Using a Basis of Accounting Other than Generally Accepted Accounting Principles*
- Section 5800, *Special Reports*
- Section 5805, *Audit Reports on Financial Information Other than Financial Statements*
- Section 5815, *Audit Reports on Compliance with Agreements, Statutes and Regulations*
- AuG-25, *Auditor's Report on Summarized Financial Statements*

(a) *Additional requirements in the Handbook Sections/Guideline:*

Sections 5805 and 5815 contain a requirement to refer to Section 5510, *Reservations in the Auditor's Report*, if it is necessary to express a reservation of opinion.

Under Section 5600, the auditor can accept an engagement to audit special purpose financial statements prepared on a basis other than GAAP only when such statements have been prepared in accordance with regulatory or legislative requirement to meet the specific needs of a regulator or a legislator, or in accordance with written contractual requirements. General purpose statements must be prepared in accordance with GAAP.

Under Section 5600, the auditor's report on special purpose statements must contain a restriction in use clause. That is, the auditor's report must state, in a paragraph following the opinion paragraph, that the financial statements have not been and were not intended to be prepared in accordance with Canadian GAAP and are solely for the information and use of the addressee and/or the regulator or parties to the contract, for the stated purposes, and are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

(b) *Additional requirements in the ISA:*

ISA 800 requires the report to contain a written expression of opinion (the AASB did not consider this necessary).

(c) *Other key differences:*

The requirements in the Handbook dealing with the content of the auditor's report (in each of the introductory, scope and opinion paragraphs) are more detailed and comprehensive than those in ISA 800.

There is no Handbook Section that addresses reporting on summarized financial statements. However, guidance is provided in AuG-25, *Auditor's Report on Summarized Financial Statements*. AuG-25 provides criteria for assessing the financial statements' summarization, and deals with the nature of the procedures, timing of work and date of the auditor's report, which are not addressed in ISA 800's consideration of summarized financial statements. In addition, AuG-25 provides more guidance about engagement acceptance criteria and reporting.

Canadian Handbook Sections with no equivalents in the ISAs and International Auditing Practices Statements:

- Section 5020, *Association*, describing when a public accountant becomes associated with information of an entity and requirements regarding how to deal with aspects of association.
- Section 5100, *Generally Accepted Auditing Standards*, setting out the fundamental general, examination and reporting standards that provide the basis for the requirements in the remainder of the CICA Handbook – Assurance.
- Section 5365, *Communications with Actuaries*, expanding on use of the work of a specialist to describe in more detail aspects of the auditor's use of the work of an insurance or pension plan actuary as audit evidence, including a joint policy statement developed with the Canadian Institute of Actuaries.
- Section 5750, *Communications with Management of Matters Identified During the Financial Statement Audit*, providing a framework and guidance for key communications with management.
- Section 5970, *Auditor's Reports on Controls at Service Organizations*, providing requirements and guidance for auditors who issue audit reports on the processing of transactions by a service organization for use by user organizations and their auditors (i.e., this is the mirror image of Section 5310, which deals with the financial statement auditor's use of such reports. Section 5310 is the equivalent of ISA 402.)

Standards dealing mostly with audits of Canadian public companies affected by securities regulations:

- Section 7050, *Auditor Review of Interim Financial Information*
- Section 7110, *Auditor Involvement with Offering Documents of Public and Private Entities*
- Section 7115, *Auditor Involvement with Offering Documents of Public and Private Entities — Current Legislative and Regulatory Requirements*
- Section 7200, *Auditor Assistance to Underwriters and Others*
- Section 7600, *Reports on the Application of Accounting Principles*, dealing with requests of public accountants to comment on the application of aspects of GAAP to entities for which they are not the auditor (“opinion shopping”).

Assurance and Related Services Guidelines with no equivalents in the ISAs and International Auditing Practices Statements:

- AuG-4 *Services on Matters Relating to Solvency*
- AuG-5 *Compilation Engagements — Financial Statement Disclosures*
- AuG-10 *Legislative Requirements to Report on the Consistent Application of GAAP*
- AuG-13 *Special Reports on Regulated Financial Institutions*
- AuG-16 *Compilation of a Financial Forecast or Projection*
- AuG-17 *Transactions or Conditions Reportable Under the “Well-Being Reporting Requirement” in Federal Financial Institutions Legislation*
- AuG-18 *Criteria for Non-Derivative Reports Issued Under Subsection 295(5) of “an Act Respecting Trust Companies and Savings Companies” in Quebec*
- AuG-19 *Audit of Financial Statements Affected by Environmental Matters*
- AuG-20 *Performance of a Review of Financial Statements in Accordance with Sections 8100 and 8200*
- AuG-21 *Canada-US Reporting Differences*
- AuG-25 *Auditor’s Report on Summarized Financial Statements*
- AuG-28 *Using a Legal Opinion as Audit Evidence Concerning a Transfer of Receivables*
- AuG-29 *Audit of Employee Future Benefits — Defined Benefit Plans*
- AuG-30 *The Auditor’s Consent and Comfort in Connection with Securities Offering Documents*
- AuG-32 *Electronic Commerce — Effect on the Audit of Financial Statements*
- AuG-40 *Auditor’s Report on the Financial Statements of Federally Regulated Financial Institutions*
- AuG-41 *Applying the Concept of Materiality*
- AuG-42 *Service Organizations that Use Other Service Organizations*
- AuG-43 *Audit of Policy Liabilities of Insurance Companies*
- AuG-44 *The Auditor’s Written Consent to the Use of the Audit Report in a Continuous Disclosure Document*
- AuG-45 *Legislative Auditor’s Report on Financial Statements of a Federal, Provincial or Territorial Government*