



September 11, 2014

Ms. Kathleen Healy  
Technical Director  
International Auditing and Assurance Standards Board  
International Federation of Accountants  
545 Fifth Avenue – 14<sup>th</sup> Floor  
New York, NY 10017  
U.S.A.

Dear Ms. Healy,

**Re: Exposure Draft, Addressing Disclosures in the Audit of Financial Statements**

The Canadian Auditing and Assurance Standards Board (AASB) is pleased to provide its comments on the Exposure Draft (ED), *Addressing Disclosures in the Audit of Financial Statements*. In developing our response, we considered comments provided to us by interested parties in Canada.

**Request for Specific Comments**

Our responses to the matters on which you specifically requested comments are set out below.

**Q1. Whether, in your view, the proposed changes to the ISAs are appropriate and sufficient for purposes of enhancing the focus of the auditor on disclosures and, thereby, will further support the proper application of current requirements in the ISAs?**

Yes. We believe that the proposed changes to the ISAs are appropriate and sufficient for purposes of enhancing the focus of the auditor on disclosures.

More extensive revisions would not be appropriate at this time. As noted in the Explanatory Memorandum accompanying the ED, the resolution of issues regarding disclosures will require ongoing collaborative and cooperative efforts among many stakeholders, including bodies that set accounting standards.

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**Q2. Are there any specific areas where, in your view, additional enhancement to either the requirements or guidance of the ISAs would be necessary for purposes of effective auditing of disclosures as part of a financial statement audit?**

In our view, the IAASB should consider making the following change to paragraph 30 of ISA 330 (on page 47 of the ED):

The auditor's documentation shall demonstrate that the financial statements, including disclosures, agree or reconcile with the underlying accounting records or, in the case of certain disclosures, information from systems or processes that are not part of the general ledger system.

This change is needed to appropriately reflect the key point made by the IAASB in paragraph 20 of the Explanatory Memorandum accompanying the ED which notes that disclosures based on information from systems and processes that are not part of the general ledger system now pose some of the most challenging aspects of preparing and auditing disclosures. This change would also be consistent with that proposed in the ED ISA 330, paragraph 20.

**Q3. Whether, in your view, the proposed changes to the assertions will help appropriately integrate the work on disclosures with the audit work on the underlying amounts, thereby promoting an earlier and more effective audit of disclosures?**

Yes. We believe that the proposed changes to the assertions will help appropriately integrate the work on disclosures with the audit work on the underlying amounts.

**Request for Comment on General Matters**

Preparers (including Small- and Medium-Sized Entities (SMEs)) and Other Users

We have no comments regarding the proposed changes to the ISAs that are specific to preparers of financial statements.

Developing Nations

We have no comments on the difficulties in applying the proposed changes to the ISAs in the developing nation environment.

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### Translations

We have not identified any potential translation issues.

### Effective Date

We agree with the IAASB's proposal to align the effective date of the proposed changes to the ISAs with the IAASB's Auditor Reporting project and the project to revise ISA 720 for the reasons stated in the ED.

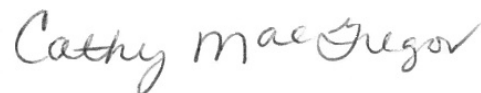
### **Other matters**

In our view, the Preliminary Staff Publication appropriately complements the proposed changes to the ISAs regarding the audit of disclosures. This publication provides a clear overview of the relevant ISAs dealing with the auditing of disclosures as well useful explanations of important matters at a level of detail that would not be appropriate to include in the ISAs themselves.

There may eventually be a need for further non-authoritative guidance on auditing disclosures, such as an International Auditing Practice Note. However, we are not aware of any matters indicating that development of such additional guidance should be a high priority for the IAASB in the near term.

We hope that these comments will be useful to the IAASB in finalizing proposed changes to the ISAs regarding Addressing Disclosures in the Audit of Financial Statements. If you have any questions or require additional information, please contact Greg Shields at (416) 204-3287.

Yours very truly,



Cathy MacGregor, CA  
Chair, Auditing and Assurance Standards Board (Canada)

c.c. Canadian Auditing and Assurance Standards Board members  
John Wiersema, FCPA, FCA  
Bruce Winter, FCPA, FCA