

February 12, 2016

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

Subject: The Auditor's Responsibilities Relating to Other Information: Canadian Amendments

Dear Auditing and Assurance Standards Board (AASB) Members,

The Canadian Securities Administrators (CSA) is an organization of Canada's provincial and territorial securities regulators whose objective is to improve, coordinate and harmonize regulation of the Canadian capital markets. The CSA Chief Accountants Committee is comprised of the Chief Accountants from the provinces of Alberta, British Columbia, Ontario and Quebec. We are submitting this letter to you in response to the Invitation to Comment on *The Auditor's Responsibilities Relating to Other Information: Canadian Amendments* (CAS 720).

We generally agree with the Board's conclusions on what documents are within, and outside the scope of, CAS 720. We appreciate the opportunity to comment and offer the following comments:

Use of the term 'listed entity' to trigger auditor reporting

ISA 720 (Revised) *The Auditor's Responsibilities Relating to Other Information* issued by the International Auditing and Assurance Standards Board (IAASB), as well as the new auditor reporting standards (including ISA 701 *Communicating Key Audit Matters in the Independent Auditor's Report*), differentiate between requirements for an auditor's report on financial statements of a 'listed entity' and requirements in relation to unlisted entities. ISA 220 *Quality Control for an Audit of Financial Statements* defines 'listed entity' as:

An entity whose shares, stock or debt are quoted or listed on a recognized stock exchange, or are marketed under the regulations of a recognized stock exchange or other equivalent body.

We are very concerned about using the term 'listed entity' as the basis for triggering the application of certain auditor reporting requirements, such as the identification of other information expected to be obtained after the date of an auditor's report. This term is not commonly used to differentiate public reporting requirements in the Canadian environment. Its use in Canadian auditor reporting standards to trigger certain auditor reporting requirements would result in inconsistent auditor reporting for entities that are subject to

the same securities regulatory filing and disclosure requirements. We think this inconsistency would be confusing for users of auditor reports.

In Canada, securities legislation generally distinguishes between reporting issuers and non-reporting issuers for the purpose of requiring continuous disclosure. The term 'listed entity' excludes a number of entities that are reporting issuers, and in particular investment funds subject to continuous disclosure requirements under securities legislation.

We recommend that the AASB make a Canadian amendment to replace all reference to 'listed entity' in ISA 720 and the new auditor reporting standards with the term 'reporting issuer', and that such term be based on the definition included in securities legislation.

We are of the view that this recommendation would fall within the criteria the AASB has established for amending ISAs when adopting them as Canadian Auditing Standards. In particular, our recommendation is in line with criterion #3;

...a circumstance particular to the Canadian environment where such an amendment is required to serve the Canadian public interest and maintain the quality of auditing and reporting in Canada.

Removing the reference to “actions applicable in the jurisdiction”

Consistent with the AASB, we are also not aware of any additional requirements under existing Canadian securities legislation relating to the auditor's responsibilities when the auditor becomes aware of a material misstatement in the other information.

Although there are no additional requirements under existing securities legislation, we do not agree with the proposed Canadian amendment to remove the reference to “actions applicable in the jurisdiction” solely on that basis. We think that an auditor should determine whether there are any other applicable requirements, such as those under professional standards, which need to be considered when determining whether additional actions are needed.

We are aware that a number of provincial Codes of Professional Conduct specifically prohibit members from signing or associating with any letter, report, statement, representation or financial statement that the member knows, or should know, is false or misleading, and also suggest that members consider obtaining legal advice when issues or conflicts arise in the application of the Codes of Professional Conduct. These provisions, and specifically the reference to obtaining legal advice, could be considered “actions applicable in the jurisdiction”.

Regardless of whether the AASB concludes there are no existing requirements in securities legislation or other Canadian standards, such as professional conduct standards, there is still the potential for standards to change in the future, such that the “actions applicable in the jurisdiction” language would become applicable. Rather than monitor for such events on an ongoing basis for the purposes of reconsidering a Canadian amendment at a later date, we recommend that the language be retained in case such a circumstance arises. This

will ensure there is no conflict between the requirements in ISA 720 and CAS 720 for this topic.

If the AASB is concerned that an auditor will not understand what the “actions applicable in a jurisdiction” are for an auditor in Canada, then we recommend the AASB issue separate guidance to practitioners that can be updated as necessary.

If you have any questions about this letter, please do not hesitate to contact us.

Yours truly,

The CSA Chief Accountants Committee

Lara Gaede
Chief Accountant
Alberta Securities Commission
(403) 297-4223
lara.gaede@asc.ca

Carla-Marie Hait
Chief Accountant
British Columbia Securities Commission
(604) 899-6726
chait@bcsc.bc.ca

Cameron McInnis
Chief Accountant
Ontario Securities Commission
(416) 593-3675
cmcinnis@osc.gov.on.ca

Hélène Marcil
Chief Accountant
Autorité des marchés financiers
(514) 395-0337 ext. 4291
helene.marcil@lautorite.qc.ca