

BASIS FOR CONCLUSIONS Conforming Amendments to Canadian Standards Resulting from IAASB Conforming Amendments to the IAASB International Standards as a Result of the Revised IESBA Code

August 2020

This Basis for Conclusions has been prepared by staff of the Auditing and Assurance Standards Board (AASB). It relates to, but does not form part of the following Canadian standards:

- [CSQC 1](#), *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements*;
- [CAS 200](#), *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Canadian Auditing Standards*;
- [CAS 220](#), *Quality Control for an Audit of Financial Statements*;
- [CSAE 3000](#), *Attestation Engagements Other than Audits or Reviews of Historical Financial Information*;
- [CSAE 3001](#), *Direct Engagements*; and
- [CSRE 2400](#), *Engagements to Review Historical Financial Statements*.

Purpose of this Basis for Conclusions

This Basis for Conclusions has been prepared to make Canadian stakeholders aware of the following:

- (a) A Basis for Conclusions prepared by International Auditing and Assurance Standards Board (IAASB) staff, "Conforming Amendments to the IAASB International Standards as a Result of the Revised IESBA Code," corresponds to the standards listed above and is available on the IAASB website. It provides information on how the IAASB dealt with comments received on significant matters in response to the Exposure Draft, "Conforming Amendments to the IAASB International Standards as a Result of the Revised IESBA Code" (ED-IAASB Conforming Amendments).
- (b) Information on how the AASB dealt with significant matters arising from comments received in response to its Exposure Draft, "Conforming Amendments to Canadian Standards Resulting from IAASB Conforming Amendments to the IAASB International Standards as a Result of the Revised IESBA Code" (ED-Conforming Amendments to Canadian Standards), and matters particular to Canada. This information is set out below.

Background

In November 2019, the IAASB issued ED-IAASB Conforming Amendments proposing changes to IAASB standards as a result of revisions to the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the IESBA Code). In February 2020, the IAASB approved the changes subject to confirmation from the Public Interest Oversight Board (PIOB) that due process was followed. This confirmation was received on March 30, 2020.

In January 2020, the AASB issued its ED-Conforming Amendments to Canadian Standards proposing to adopt revisions to certain Canadian standards. There were two different groups of revisions:

- **Breaches of ethical requirements.** The IESBA Code and the provincial Codes of Professional Conduct dealing with breaches of ethical requirements were revised in 2016. However, neither International standards nor Canadian standards were revised at that time. ED-Conforming Amendments to Canadian Standards proposed revisions to Canadian standards to reflect the revised provincial Codes of Professional Conduct.
- **Threats to compliance.** The IESBA Code includes updated rules dealing with threats to compliance with the fundamental principles of the revised IESBA Code. ED-IAASB Conforming Amendments includes several revisions to align the International standards with the provisions of the IESBA Code. However, the provincial Codes of Professional Conduct do not include similar changes. Therefore, the AASB did not revise the Canadian standards. As a result, Canadian standards are different from equivalent International standards, creating new Canadian amended paragraphs and Canadian amended illustrative auditors' reports. These paragraphs are listed in Appendices 2 and 3 of the *Preface to the CPA Canada Handbook – Assurance*.

In addition, the AASB noted in ED-Conforming Amendments to Canadian Standards that the title of the IESBA Code will be updated in Canadian standards and where Canadian standards refer to rules in the IESBA Code, references will be updated to reflect the revised numbering of the IESBA Code. As these revisions were minor, the AASB did not include details in ED-Conforming Amendments to Canadian Standards.

There were two respondents to the ED-Conforming Amendments to Canadian Standards (identified below).

There were no new or revised Canadian amendments from those proposed in ED-Conforming Amendments to Canadian Standards and, therefore, the AASB concluded that re-exposure was not necessary. In April 2020, the AASB approved the final changes to the Canadian standards. The Auditing and Assurance Standards Oversight Council confirmed that the Board followed due process in approving the changes prior to their issuance in the Handbook.

Public Interest Considerations

The key public interest considerations for making the changes to the Canadian standards are:

- The AASB is committed to adopting International Standards on Quality Control (ISQCs) and International Standards on Auditing (ISAs) as Canadian Standards on Quality Control (CSQCs) and Canadian Auditing Standards (CASS), respectively. Since the IAASB made changes to ISQCs and ISAs, the AASB needs to make similar changes, where appropriate, to maintain consistency.
- Where the provincial Codes of Professional Conduct differ from the IESBA Code, it is in the interest of practitioners conducting engagements in accordance with both CASS and ISAs to be aware of such differences.

Significant Matters

1. There were no significant matters raised by respondents to the ED-Conforming Amendments to Canadian Standards.

Other Matters

Effective Date

2. In ED-IAASB Conforming Amendments, the IAASB proposed an effective date of approximately 90 days after the PIOB approval of due process. In March 2020, the IAASB confirmed that this date would be July 15, 2020.
3. The AASB did not address in ED-Conforming Amendments to Canadian Standards the effective date of the requirements that have been amended to align with provincial Codes of Conduct dealing with breaches of ethical requirements. The AASB noted that the provincial Codes of Conduct for these requirements are already effective. Further, the AASB wanted to ensure that Canadian standards have the same effective date as International standards. Accordingly, the AASB concluded that the revisions to Canadian standards dealing with breaches of ethical requirements should have an effective date of July 15, 2020.

List of Respondents to the Exposure Draft

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