

The Consultation Paper

→ *A breakdown*

The Basics

What is happening?

In May 2021, Canada's standard-setting oversight councils and Chartered Professional Accountants (CPA) Canada established the Independent Review Committee on Standard Setting in Canada (the Committee). Its purpose is to review the current governance and structure for establishing Canadian accounting and assurance standards and to prepare for what might be needed in the future – including sustainability standards.

Why is this review taking place?

The institutional framework in place in Canada for developing accounting and assurance standards and overseeing the standard-setting process has evolved. Global trends and developments have led to a dynamic standard-setting environment in which stakeholders' needs and expectations change quickly.

What is the purpose of this Consultation Paper?

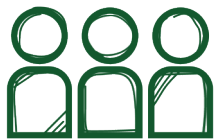
The Committee prepared this Consultation Paper to seek views and ideas on what should be done to best achieve this outcome. The feedback will assist the Committee in completing its review and formulating its final recommendations.

The goal is to identify recommendations to ensure Canadian standard setting is independent, world-class, and responsive to stakeholders' needs.



Setting the Context

→ *The three concepts that framed the Committee's approach to its mandate are:*



The public interest

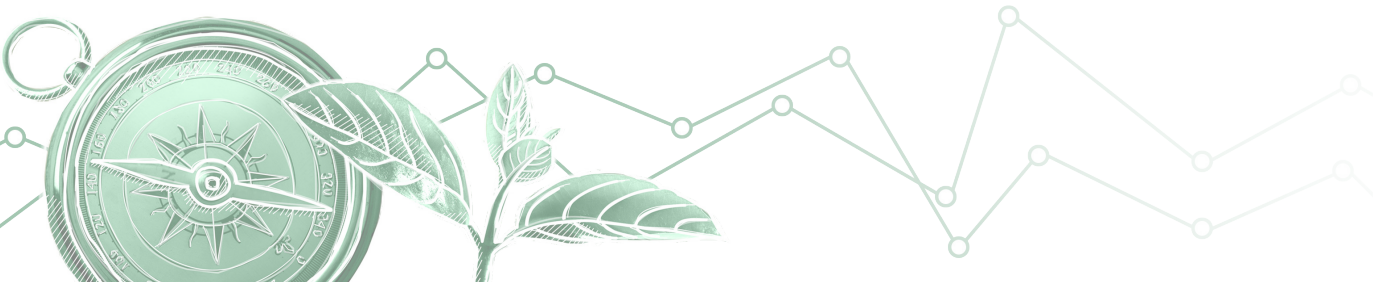


**Diversity, equity, and
inclusion**



Indigenous rights

These concepts are related. Acting in the public interest requires engaging with and involving the full range of diverse stakeholders from across Canada, including Indigenous peoples and their governments.



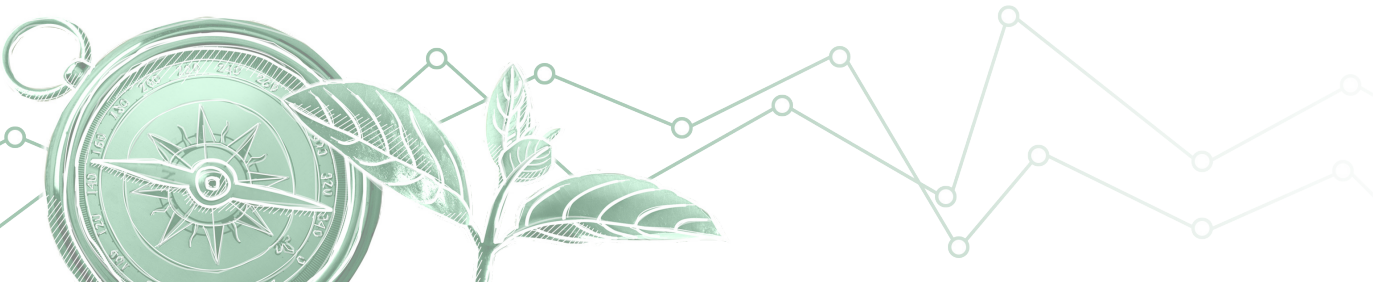
A Call for Action on Sustainability Reporting Standards

Demands for information about a company's environmental, social and governance performance have increased dramatically. This has led to sustainability reporting initiatives worldwide, and a variety of standards and frameworks with diverse and sometimes conflicting guidance. Not surprisingly, they are being applied differently, adding to reporting complexity. Stakeholders say there is an urgent need to improve consistency and comparability in sustainability reporting at a global level.

The International Financial Reporting Standards Foundation responded in November 2021 by establishing the International Sustainability Standards Board (ISSB) as a sister board to the International Accounting Standards Board.

Based on the growing demand for sustainability information, Canada's history of establishing national accounting and assurance standard-setting bodies, and the establishment in 2021 of the ISSB, the Committee believes a Canadian sustainability standards board should be created. A Canadian sustainability standards board would work alongside Canada's existing accounting and assurance boards and liaise with the new international board.

The Committee believes a Canadian sustainability standards board should be created.



Safeguarding Independence

Independence of the standard-setting process from special interest groups, political pressures, and personal interests is widely recognized as essential for developing standards that have integrity and are in the public interest. Independence, in fact, may differ from perceived independence but both have similar effects in how stakeholders view and accept the process and the standards.

Over time, several structural elements have been incorporated into the Canadian standard-setting model to help safeguard independence. Yet some stakeholders have pointed to certain features of the model, particularly the current relationship between the profession and the standard-setting process and CPA Canada's role in that process, suggesting that the existing safeguards may be insufficient.

The Committee is considering whether additional safeguards, such as those relating to legal structure, funding model, or board composition, are warranted for the Canadian standard-setting model.

*Are additional safeguards
(e.g., legal structure, funding model
or board composition) warranted for
the Canadian standard-setting model?*



Responding to Stakeholder Needs

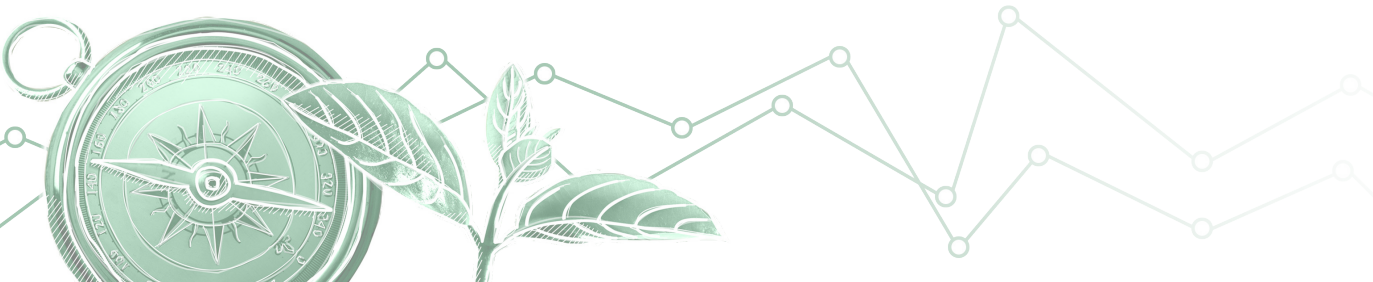
A responsive standard-setting process establishes standards in a timely manner and maximizes effective stakeholder involvement, ensuring the input and perspectives of those affected by the standards are appropriately considered.

Canada's accounting and assurance standard-setting boards follow an established due process for setting standards. Some have argued that the process is too slow. The boards and oversight councils recognize the need to respond more quickly to an evolving environment and are committed to trying new approaches to shorten "time to market." Another significant challenge in establishing standards has been engaging and obtaining meaningful input from stakeholder groups – financial statement users in particular.

Canada's standard-setting boards and oversight councils are committed to trying new approaches to shorten time to market. The boards are working to develop new mechanisms to quickly identify projects and exploring opportunities to collaborate with other national standard setters to leverage existing work. The focus: Balancing the need for robust due process with timeliness to produce high-quality, relevant standards.



What other ways can the timeliness and responsiveness of Canadian standard setting be improved?



Other Considerations

→ The Consultation Paper also addresses other related issues, including:



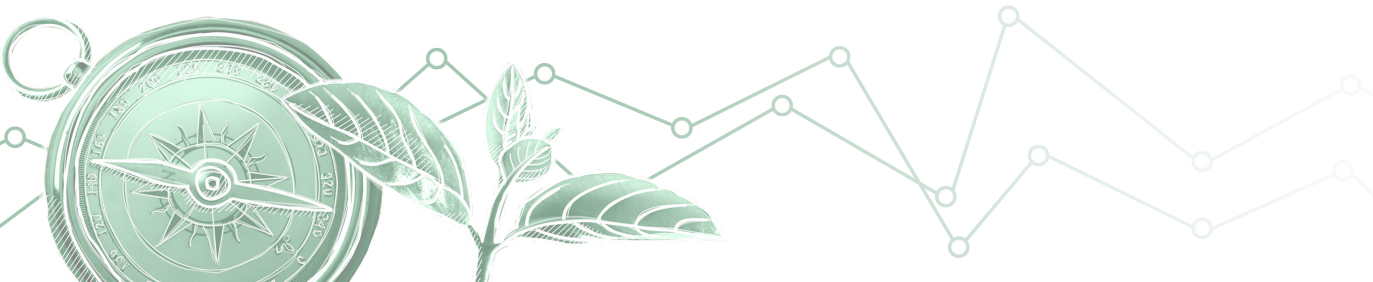
**Transparency
and accountability**



**Effectiveness of Canadian
standard setting**



**Ethics and independence
standards for assurance
services**



Have Your Say

The Committee expects that its review will result in changes to the Canadian standard-setting model and understands the importance of ensuring that these changes achieve clearly articulated objectives and, ultimately, outcomes. It will be necessary to assess these changes and it would be valuable to have periodic reviews by parties outside the standard-setting system. Allowing sufficient time to implement the Committee's recommendations will be important.

The Committee welcomes comments on all aspects of this Consultation Paper. Comments are most helpful when they indicate the specific subject to which they relate, clearly explain the concern, and the reason for the perspective offered.

Comments are needed from a wide range of stakeholders, including those with a particular interest in financial and sustainability reporting, and standard setting.

You can contribute your thoughts and perspective by taking part in the [Connect.FRASCCanada.ca](https://connect.frascanada.ca) project or by [submitting a comment letter](#) addressed to:

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Comments are due by **March 31, 2022**.

