

Changes to Upcoming Auditor's Reports

January 25, 2018 – Cross-Border Counselor

by James Guttman

The United States Public Company Accounting Oversight Board (PCAOB) issued new standards for auditor's reports that will effect Canadian issuers who are SEC registered. The initial changes go into effect for issuers with fiscal years ending after December 15, 2017.

Our understanding is that some Canadian auditors for issuers who are MJDS eligible will try to combine the Canadian and U.S. requirements into one auditor's report that complies with both sets of rules, while other Canadian auditors will prepare their reports solely in compliance with the new PCAOB requirements as Canadian rules permit auditors for dually registered issuers to file auditor's reports solely in compliance with PCAOB standards. Canadian issuers who are not MJDS eligible should continue to comply with the PCAOB standards for their auditor's reports.

The new auditor's report includes updated formatting and disclosure requirements. These changes include provisions requiring statements in the auditor's report disclosing the auditors' tenure and independence, and form standardizations, including new section titles to guide readers. The requirement that the auditor's report disclose "critical audit matters," which are matters arising from the audit of the financial statements that have been communicated or were required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involve specially challenging, subjective, or complex auditor judgment, will only take effect for audits of fiscal years ending on or after June 30, 2019, for large accelerated filers; and for fiscal years ending on or after December 15, 2020, for all other companies to which the requirements apply.

The full order by the SEC with respect to the changes can be found at the following link:
<https://www.sec.gov/rules/pcaob/2017/34-81916.pdf>

Issuers should reach out to their auditors if they have any questions on the changes to the auditor's report.

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