June 4, 2019

Mr. Willie Botha
Technical Director
International Auditing and Assurance Standards Board
International Federation of Accountants
585 Fifth Avenue – 14th Floor
New York, NY 10017
U.S.A.

Dear Mr. Botha,

Re: IAASB Consultation Paper, Proposed Strategy for 2020-2023 and Work Plan for 2020-2021

The Canadian Auditing and Assurance Standards Board (AASB) is pleased to provide our comments on the Proposed Strategy for 2020-2023 and Work Plan for 2020-2021. Our responses to the specific questions asked in the Consultation Paper are in the Appendix to this letter.

GENERAL COMMENTS

We support the efforts of the IAASB to follow a transparent process in developing a Strategy for 2020-2023 and Work Plan for 2020-2021. It is very important for the IAASB to set a clear direction for its activities in the upcoming years. Such clarity will help the AASB and other National Standard Setters (NSS) to develop their own strategic priorities. It will also help us to continue supporting the efforts of the IAASB to build on the existing strong base of standards and address new topics where there is a need, consistent with the public interest.

We believe the IAASB could make some improvements to the flow and connectivity of the Proposed Strategy. It is not clear how the sections in the Consultation Paper relate and integrate with each other. The IAASB could consider following an approach similar to the International Ethics Standards Board for Accountant's (IESBA) Strategy and Work Plan for 2019-2023. The IESBA sets out a vision, which is supported by three strategic themes. The projects/work stream/activities set out in the plan tie back to these strategic themes. This is a format that is much clearer and easier to follow. It appropriately links the pieces of the strategic plan together. This approach makes it easier to determine whether the proposed actions are the ones that should be taken in order to achieve the strategy.

We hope that these comments will be useful to the IAASB in determining the appropriate next steps relating to its Proposed Strategy and Work Plan. If you have any questions or require additional information, please contact me (kcharbonneau@aasbcanada.ca).

Yours very truly,

Ken Charbonneau, FCPA, FCA, ICD.D
Chair, Auditing and Assurance Standards Board (Canada)

c.c.   Canadian Auditing and Assurance Standards Board members
       Julie Corden, CPA, CA, IAASB Member
       Eric Turner, CPA, CA, IAASB Member

APPENDIX: Responses to Questions in the Consultation Paper

1. **Do you agree with *Our Goal, Keys to Success* and *Stakeholder Value Proposition*, as well as the *Environmental Drivers*?**

    Our Goal
    The IAASB Proposed Strategy includes an overall goal for the IAASB. We suggest that the IAASB revise its goal to "enhance public trust" (as opposed to "sustain public trust") in light of the environmental drivers that acknowledge a declining confidence and trust in audits. Otherwise we do not disagree with the goal. However, it is not clear how the themes set out in the Proposed Strategy are meant to help the IAASB meet its goal. As noted in our general comments, the IAASB could make improvements to enhance the connectivity and flow of the Proposed Strategy.

    Keys to Our Success, Our Stakeholder Value Proposition
    There are many different topics addressed in these sections. It is unclear how the keys to success and stakeholder value proposition relate to each other, the other sections of the Consultation Paper and the Proposed Strategy.

    Environmental Drivers
    We agree with the environmental drivers identified in this section.

    The first sentence of this section refers to understanding opportunities and challenges. Such understanding is needed to drive the Proposed Strategy and Work Plan. However, while environmental drivers are identified, there is little mention of the opportunities and challenges related to these environmental drivers. Clearly identifying the challenges and opportunities would provide a link to the strategy and planned actions in the Consultation Paper.

    The IAASB identifies the changing reporting needs of stakeholders as an environmental driver. We believe the IAASB should add climate change as another example of evolving corporate reporting, given its significance.

    The IAASB also identifies changing expectations and public confidence in audits as an environmental driver, pointing out decreasing confidence and declining trust in audits. We believe the IAASB should emphasize that this driver includes the increasing involvement by government bodies in a number of countries in regulating the auditing profession that may have standard-setting implications.

2. Do you agree with *Our Strategy and Focus* and *Our Strategic Actions* for 2020-2023?

The five themes individually appear appropriate. They focus on the public interest and are forward looking. However, it is not clear what a theme represents and how themes relate to the other elements of the Proposed Strategy. Further, the themes seem to be very tactic-oriented and do not focus on or establish expected strategic outcomes. Each theme includes a number of strategic actions that the IAASB proposes to undertake. However, because there are no strategic outcomes for these actions, it is not clear whether the actions are the appropriate ones to take. Also, it is not clear whether achieving or completing the actions will mean that the IAASB has met its goal. As a result, it is not possible to determine whether these are the appropriate themes or whether there are other themes the IAASB should consider. We believe the themes should be revised to be strategic in nature, rather than tactical.

Specific comments on each theme are as follows:

Theme A
We agree with adding focus on implementation support. We encourage the IAASB to work with NSSs to identify implementation risks and responses and enhance collaborative efforts to make implementation actions more effective across jurisdictions.

We believe there is a need to make sure that implementation efforts respond to a broad range of stakeholders. Post-implementation efforts on auditor reporting and ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*, as well as implementation support for ISA 540 (Revised) and ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement*, should address the needs of a broad range of stakeholders, including practitioners from firms of different sizes.

Theme B
We find some strategic actions to be vague and unclear. The IAASB states that it will identify and prioritize future actions. However, there is not enough explanation of how this will be done to give stakeholders confidence that the IAASB will be able to "raise the bar" or do things differently.

We believe that the IAASB should emphasize that audit data analytics is a continuing priority and it should be referred to specifically within the strategic actions. Recently, the CPA Canada Audit Data Analytics Committee consulted with external auditors, who raised concerns with challenges in applying audit data analytics. In particular, participants identified concerns related to ISAs 315, 330, *The Auditor's Responses to Assessed Risks*, and 520, *Analytical Procedures*. We support the IAASB's continuing work in this area.

It is not clear what the IAASB means by "consider what more can be done" under professional skepticism. A lot has been and is being done on this topic. We believe that continuing to reflect professional skepticism in each project is the appropriate approach.

Theme C
The IAASB indicates that activities relating to Audits of Less Complex Entities is a top priority. However, the strategic action is only to complete information-gathering and research activities. Further, the IAASB says that it will "commit to continue considering" how to develop principles-based standards and guidance that is able to be applied to a wide variety of circumstances. We believe this is a very important initiative as Canadian stakeholders have told us repeatedly that auditing less complex entities presents a big challenge. Because this is a top priority, we believe that activities over the four-year period of the Proposed Strategy should go beyond information-gathering and research. We suggest a clearer commitment to output or follow up actions that will be undertaken before the end of 2023. This will help address the urgency of the initiative.

We fully support the strategic action to digitize the standards. Having the ability to search a digital version of standards that is user friendly will aid stakeholders in understanding the standards. We have heard positive reaction to the IESBA eCode and encourage the IAASB to do something similar.

Theme D
This is a key area of change for the IAASB. We agree that the IAASB should ensure that it does the right work at the right time. However, we believe that the primary focus of the strategic actions should be on the second bullet – identifying mechanisms for addressing issues and challenges on a timelier basis. Timeliness of the IAASB's response to issues is mentioned in several sections of the Proposed Strategy. It should be a key focus in the future.

With regard to information-gathering and research activities, we believe the IAASB should be proactively monitoring global developments as a source of information. For example, there are developments in a number of countries where governments are responding to the decreasing confidence and declining trust in audits identified as an environmental driver on page 7. It is important that the IAASB is aware of such developments to be able to proactively address issues.

We agree with the points listed below the second bullet. These are appropriate mechanisms to address challenges on a timely basis. We agree that the IAASB should become more involved in developing non-authoritative guidance. However, the timing of issuing such guidance could be improved. For example, we suggest that the IAASB identify implementation needs at an early stage, through considering what it hears from stakeholders during consultations and in written comment letters. This input can be used to begin developing non-authoritative guidance before a standard is finalized and issued. Such an approach could assist the IAASB to make important guidance available to

stakeholders closer to the time that a standard is issued to aid in preparing for implementation. We believe that early attention to implementation needs may even help highlight areas for possible improvements in the standards before they are finalized.

The IAASB refers to collaboration opportunities (see, for example, Theme E). We encourage the IAASB to consider making use of NSSs in developing non-authoritative guidance or other material under the mechanisms set out on page 12 of the consultation paper.

As noted above, the IAASB could take advantage of collaboration opportunities and determine if NSSs could perform some of the information-gathering and research activities. We also believe the IAASB should review the approach followed for the Enhancing Audit Quality initiative and resulting projects and the Agreed-upon Procedures project to determine what worked well and what could be improved.

The strategic actions for this theme refer to leveraging technology but none of the subsequent discussion addresses what this means and how this will be done.

Theme E
We agree that outreach, interaction and collaboration is critical to the IAASB's success. We support further enhancement of collaboration and interaction opportunities with the groups listed, in particular, with NSSs. We have noted in our previous comments that NSSs could possibly assist the IAASB. We believe that such collaboration will be critical to the success of the IAASB's Proposed Strategy. NSSs provide the IAASB, among other things, with knowledge of local auditing requirements and relationships with key stakeholders, experience in standard setting in their jurisdictions and technical auditing capabilities.

3. **Do you agree with the IAASB's proposed *Framework for Activities*, and the possible nature of such activities, as set out in Appendix 2?**

We support the proposed Framework. We believe it will help to focus the IAASB's attention and ensure resources are best used. As noted in response to Question 2, we also believe that it can help the IAASB identify where it may be able to use assistance from others, for example, NSSs.

Narrow scope amendments may help address the timeliness issue. However, the IAASB will need to beware of "scope creep". This can occur if the IAASB addresses issues not contemplated in the project proposal. The clarity project is an example where the IAASB identified issues that were beyond clarification of a standard but did not address them at that time because the IAASB was focused on the narrow scope of the project.

4. **Do you support the actions that have been identified in our detailed *Work Plan for 2020-2021*? If not, what other actions do you believe the IAASB should prioritize?**

Overall, we support the actions identified in the detailed Work Plan for 2020-2021. However, we note that the timeline on the Group Audits project has already fallen behind the timeline in the Work Plan. This leads us to be concerned that the Work Plan may be overly optimistic. Accordingly, we suggest the IAASB revisit the Work Plan to consider whether the targets are in fact achievable, in light of available resources and comments received on the Proposed Strategy.

We recognize that the Work Plan reflects current projects underway that need to be completed before anything new under the strategy is started. However, the Proposed Strategy includes some key strategic activities that should be started as soon as possible. The Framework for Activities will drive future activities of the IAASB. It is crucial that work be started on developing and implementing this Framework early in the strategic plan period. The Work Plan does not indicate how or when this will be done. We suggest the IAASB make it clear when this activity will commence.

5. **Are there any other topics that should be considered by the IAASB when determining its 'information-gathering and research activities' in accordance with the new *Framework for Activities*?**

There are already a lot of projects included in the Work Plan that will take two or more years to complete. These are all very important and high priority topics. We support the IAASB's focus on completing these projects.

We have the following suggestions for additional topics to consider:

1. Enhancing the perceived value of audit by exploring areas within the financial reporting process, beyond the financial statements, where auditors can add credibility to information used by investors in decision making.
2. Issuing subject-matter-specific standards or guidance indicating how current standards can be used to report on climate indicators, such as greenhouse gas.
3. Revising the Audit Quality Framework in light of developments since it was issued to better define Audit Quality.
4. Considering whether revisions to ISAE 3402, *Assurance Reports on Controls at a Service Organization,* are necessary to reflect the evolving environment. We note that the American Institute of Certified Public Accountants recently updated its standard dealing with reporting on controls at a service organization (i.e., SOC reports) to reflect changes in the environment since the standard was first issued.

5. Strengthening the emphasis in the Proposed Strategy on technology matters. For example, we suggest that the following technology topics be considered:
    - guidance on how to audit new technologies and advancements, such as crypto assets, and
    - continued work on audit data analytics, for example by identifying potential barriers within the ISAs that are inhibiting the use of data analytics today and considering how to address those barriers in the standards.