

April 11, 2023

**SENT ELECTRONICALLY**

International Auditing and Assurance Standards Board  
529 Fifth Avenue  
New York, NY 10017

**Re: Consultation Paper: The IAASB's Proposed Strategy and Work Plan for 2024-2027**

Thank you for the opportunity to provide input to the International Auditing and Assurance Standards Board on the above noted document.

MNP LLP ("MNP") is one of Canada's largest chartered professional accountancy and business advisory firms. Our client base is focussed on small to mid-size businesses covering a broad range of industries including agriculture, retail and manufacturing as well as pension plans, credit unions, co-operatives, Indigenous communities and businesses, medical and legal professionals, not-for-profit organizations, municipalities, government entities, and publicly traded companies. We believe that we are positioned well to provide feedback on this consultation paper.

**Question 1: Do you agree with Our Proposed Goal, and Our Proposed Keys to Success and Stakeholder Value Proposition (see pages 5–6)?**

We agree with the Proposed Goal, Keys to Success and Stakeholder Value Proposition. The Stakeholder Value Proposition describes the standards as globally relevant, coherent, scalable, proportionate, operable and adaptable for the future. We would like to emphasize the importance for the standards to be scalable. Current standards are being used by auditors performing engagements from very small and not complex audits to large and complex entities. Beyond scalability, certain assurance standards such as ISA 540 and ISA 270 as well as ISA 315 indirectly raise expectations and costs around management's internal processes and decisions, some of which are difficult for small and medium sized entities to meet. Auditors (and management) must be able to scale the requirements based on the nature of the entity and the needs of users.

**Question 2: Do you agree with Our Proposed Strategic Drivers as the key environmental factors that drive the opportunities and challenges impacting our ability to achieve our goal (see pages 7–9)?**

We agree with the Proposed Strategic Drivers. One of the proposed strategic drivers, Increased and More Diverse Demand for the Standards, includes a number of challenges faced by auditors. In addition to the factors listed, we would like to propose including the impact of global and virtual team members in an engagement. Engagement team members are no longer sitting in one office and supervised in-person by the engagement

manager and partner. Firms are now expanding their network internationally and certain services or tasks are performed by service providers from outside the entity. We believe that this impacts how the requirements are performed in an ever more global and virtual environment.

**Question 3: Do you agree with Our Proposed Strategic Objectives and Our Proposed Strategic Actions (see pages 10–14)?**

We agree with strategic objectives 1 and 2. However, we believe that the proposed strategic objectives 3 (Strengthen Coordination with IESBA and Other Leading Standard Setters and Regulators to Leverage Better Collective Actions in the Public Interest) and 4 (Create more Agile, Innovative Ways of Working in Line with the Monitoring Group’s Reform Vision), should not be distinct strategic objectives. Enhanced collaboration will help support the quality of an engagements and will enhance standards. Thus, strengthened coordination between the different boards and regulators and process improvements are important; however, they are more operational issues rather than strategic objectives. As such, we believe they should be considered either as strategic actions under proposed strategic objective 1 (i.e., a means of accomplishing the strategic objective) or a pervasive strategic action across the strategic objectives rather than strategic objectives in and of themselves. For example, coordination with IESBA could be an action supporting proposed strategic objectives 1 and 2, as well as proposed new strategic objectives 3 and 4 (see below) by producing high-quality standards for all types of engagements within the IAASB’s remit, by analogy, this would also apply to standard setters other than IESBA.

Proposed strategic objective 1 pertains only to audit engagements. Proposed strategic objective 4 briefly refers to reviews of financial statements and other assurance engagements. We question why there is no strategic objective relating to maintaining other standards—i.e., those for reviews of financial statements, assurance engagements other than those related to sustainability reporting and related services engagements—fit for purpose. To that end, we suggest the IAASB reposition strategic objective 3 to address these other engagements for which the IAASB has the mandate to set standards.

We also consider the global adoption of standards to be a strategic objective, including the IAASB’s plans to advance that goal. For example, in some jurisdictions, achieving adoption of the IAASB’s standards will require substantial outreach efforts and possibly additional non-authoritative guidance. We suggest, therefore, that the IAASB replace proposed strategic objective 4 with an objective that addresses global adoption of its standards.

**Question 4: Do you support the identified possible new standard-setting projects as set out in Table B (see pages 20–22) within the area of audits and reviews (numbered A. to K.)? Please share your views on the individual topics, including, if relevant, why certain topics may be relatively more important to you, your organization or within your jurisdiction?**

Generally, we support the identified possible new standard-setting projects, however, the pace of changes, along with the number of revisions listed will continue to cause implementation challenges with stakeholders. We recommend that IAASB focus on key standards that will have a broader impact.

We believe that revisions to ISA 320, *Materiality*, and ISA 330, *Responding to Assessed Risks of Material Misstatements*, should be prioritized to align the requirements with ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement* (“ISA 315”).

The proposed revisions to ISA 505, *External Confirmations*, include modernization of the process to obtain external confirmations. Should the IAASB proceed with this proposed project, we encourage the IAASB to minimize the differences in terminology and approach with the proposed revisions to the Public Company Accounting Oversight Board (PCAOB) confirmations standard, now under way. In addition to the proposed revisions to modernize the process to obtain external confirmations, we suggest that ISA 505 clearly articulate the link between the risk assessments under ISA 315 and the need for confirmations. The audit requirements should reduce or remove the need for confirmations for assertions in accounts that have a lower assessed risk, as more limited procedures might be responsive to the assessed risk of material misstatements. We also suggest that the revisions to the standard consider the challenges faced in some jurisdictions to obtain reliable confirmations. Additional guidance could also be added to help auditors determine instances where the confirmation process may not be appropriate.

We agree with the importance of revising ISA 520, *Analytical Procedures* (“ISA 520”), in light of the use of technologies by entities and automated tools and techniques by auditors. Furthermore, we believe that ISA 520 should be revised to consider the impact of the revised ISA 315. ISA 520 could clarify if substantive analytical procedures, performed in accordance with ISA 520 could be considered sufficient substantive procedures for material classes of transactions, account balances and disclosures for which no risk of material misstatement has been identified. We also suggest that robust examples of substantive analytical procedures in accordance with ISA 520 be provided as part of any implementation guidance for this standard.

Finally, we disagree with the project to develop a new standard for Joint Audits. We do not think this project would satisfy the Stakeholder Value Proposition described in Question 1 as globally relevant. We also do not believe that this project meets the criteria for inclusion, as described in the IAASB *Framework for Activities*, specifically the prevalence of the issue globally. We do not believe that this issue is relevant for the majority of jurisdictions. We believe that this project addresses challenges faced in only a few or isolated jurisdictions and therefore will be best addressed by jurisdictional action, such as law, regulation or local standards. Therefore, we recommend that this project be removed from the table of possible new standard-setting projects.

**Question 5: Do you support the identified possible new standard-setting projects as set out in Table B (see pages 20–22) within the area of sustainability and other assurance engagements (numbered L. and M.)? Topic L., Further Standards for Assurance on Sustainability Reporting, would involve addressing multiple topics (as part of possible multiple projects). Please provide your views about likely candidate topics for further standards?**

We agree with the proposed phased approach to address the needs for assurance standards on sustainability reporting. We believe that we are in the early stages of the sustainability discussion, and it is important to let the market develop their best practices prior to developing standards that may or may not be fit for purpose.

We believe that IAASB should consider the following factors when developing sustainability related standards:

- Collaboration with the International Sustainability Standards Board (“ISSB”). If the eventual integration of financial and sustainability-related information within one report is an end goal to which global

entities are aspiring in their recommended approach to ESG reporting, there will need to be effective coordination between the IAASB and ISSB pertaining to language, goal-setting and timeliness to maintain uniformity. However, we also note that IAASB ESG assurance standards should also be applicable to future US ESG reporting standards for entities that may be listed in the US.

- The development of assurance standards should include the same qualities as the audits and reviews standards, such as, globally relevant, coherent, scalable, proportionate, operable, and adaptable for the future. We believe that there needs to be proportionate consideration given to smaller issuers and non-public entities in the development of sustainability standards and it needs to represent the less complex entities as they represent a large volume of entities globally. We believe that the standard-setting process and oversight thereof should contain a principle that there are differences between large public, mid-market and non-public companies and that the relevant assurance standards may need to differ to meet the needs of stakeholders in the different spaces. The approach taken by the IAASB should not be a “one-size fits all”. We believe oversight needs to continue to be different between these companies.
- To promote quality and consistency across the global market, it is imperative that standards established apply equally to all sustainability assurance service providers. Whether the service providers are CPAs or non-CPAs and whether they are providing assurance or non-assurance services over sustainability information there is a need for a high level of accountability and responsibility to stakeholders and these requirements should be equally applied across any profession providing these services to reduce complexity, foster uniformity and promote trust/reliability in the market. CPAs practice under established and well-recognized global assurance standards and our experience can be leveraged and adapted to meet this need with respect to the development of sustainability assurance standards. As a profession, CPA registrants and firms are well positioned to safeguard the public interest and provide services for assurance and non-assurance engagements over sustainability information. We, therefore, recommend that the IAASB should continue its efforts to further the involvement of CPAs in establishing robust assurance standards for sustainability. This will become even more important as financial reporting and sustainability reporting become more integrated. The IAASB should also engage with external regulators of non-CPA sustainability assurance service procedures to ensure a uniform high-quality application of IAASB standards.

**Question 6: Are there other topics that we should consider as new standard-setting projects? If so, please indicate whether any such topics are more important than the topics identified in Table B (see pages 20–22), and the needs and interests that would be served by undertaking work on such topic(s)?**

See our comments on Questions 4 and 5.

**Question 7: Our proposed Strategy and Work Plan emphasizes the importance of close coordination with our sister-Board, IESBA. What are your views about whether and, if so, how coordination could be enhanced in terms of opportunities for joint or complementary actions that would better serve the public interest? Suggestions could entail standard-setting work, engagement with stakeholder groups, and improved ways of working, among others?**

We agree with the importance of close coordination with IESBA but do not consider this to be a strategic objective. We trust that the IAASB and its staff can manage these efforts, including consulting via survey or other less formal means to determine the best approaches.

**Question 8: Are there any other matters that we should consider in finalizing our Strategy and Work Plan?**

As noted in our response to Questions 3, there is a need for timely first-time implementation support materials and other non-authoritative guidance for completed projects. We believe that non-authoritative guidance is key for a proper and consistent implementation and application of the revised standards to reduce variances in interpretations or expectations, especially from a range of regulatory bodies, investors and government. Specific challenges and issues often arise upon first adoption of a standard. Non-authoritative materials can provide much needed guidance and practical assistance to the standard users, encourage global adoption of standards and promote consistent application of the standards. IAASB should consider prioritizing and formalizing the development of such materials as they are instrumental for the users and potential adopters of the standards.

One issue that could be addressed through such guidance is clarifying the interrelationships between the persuasiveness of the work of a management's expert as audit evidence supporting an estimate with a significant risk in light of the requirement in ISA 330, *Responding to Assessed Risks of Material Misstatement*, to obtain more persuasive evidence the higher the risk. Extant ISA 500, *Audit Evidence*, does not clearly indicate the need to treat the work of a management's expert the same way as that of management in such cases. Paragraph 15 (and related application material) of ISA 540, *Auditing Accounting Estimates and Related Disclosures* also does not provide a precise enough link to ISA 330 and ISA 500 to lead to consistent application. This issue can be clarified in proposed revisions to ISA 500 (proposed paragraphs 11 and 12), ISA 330 and ISA 620, *Using the Work of an Auditor's Expert*. However, given it will be several years before all of these projects are completed, we consider timely guidance on this issue to be needed now to ensure consistent application of these standards.

Another strategic action listed is to monitor the need for and initiate, as appropriate, post-implementation reviews of new or revised standards. We believe that it is important for IAASB to determine if the revised standards have met the goal and objective of the revisions and if further revisions or publication of non-authoritative materials is required. IAASB should considered doing a post-implement of the following revised standards in their strategy for 2024-2027: ISA 540, *Auditing Accounting Estimates and Related Disclosures*, ISA 315, *Identifying and Assessing the Risks of Material Misstatement*, ISA 600, *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)*, ISA 220, *Quality Management for an Audit of Financial Statements*, and the ISQM series.

Finally, revisions to ISA for LCE should also be considered for any of the revisions proposed to the ISA standards included in the table B. We believe that the revisions and clarifications requested for the different ISAs will also be required in the ISA for LCE standards.

We would be pleased to offer assistance to the IAASB in further exploring issues raised in our response or in finding alternative solutions.

Yours truly,

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