

April 11, 2023

Mr. Willie Botha  
Technical Director  
International Auditing and Assurance Standards Board  
529 Fifth Avenue  
New York, NY 10017  
U.S.A.

Dear Mr. Botha:

**Re. IAASB Proposed Strategy and Work Plan for 2024-2027**

The Canadian Auditing and Assurance Standards Board (AASB)<sup>1</sup> is pleased to comment on the IAASB's proposed strategy and work plan for 2024-2027 (consultation paper). In our response, "we" refers to the AASB.

In developing this response, we considered feedback from interested and affected parties in Canada.

These parties included:

- practitioners from large firms;
- practitioners from small firms;
- public sector auditors;
- financial statement preparers;
- financial statement users;
- regulators; and
- others.

In addition to our [Overall Comments](#), we provide detailed comments to the questions in the consultation paper. Our responses are presented in the [Appendix](#) to this letter.

If you have any questions or require additional information, please contact me at [bbosshard@asbcanada.ca](mailto:bbosshard@asbcanada.ca) or Karen DeGiobbi at [kdegiobbi@asbcanada.ca](mailto:kdegiobbi@asbcanada.ca).

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<sup>1</sup> The AASB operates as an independent decision maker with the authority and responsibility for setting standards for quality management, audit, sustainability assurance, other assurance and related services engagements and guidance in Canada.

Yours very truly,

A handwritten signature in blue ink that reads "Bob".

Bob Bosshard, CPA, CA, ICD.D  
Chair, Auditing and Assurance Standards Board (Canada)

c.c. Canadian Auditing and Assurance Standards Board (AASB) members  
Julie Corden, CPA, CA, IAASB Member  
Eric Turner, FCPA, FCA, IAASB Member

## **Overall Comments**

### **Impact of volume and pace of change to IAASB standards on audit quality**

We have heard from our community that practitioners are struggling to keep up with the volume and pace of change of the IAASB's standards, including newly revised ISAs and upcoming proposed revisions. These changes, combined with a practitioner talent shortage, is creating challenges with implementing revised standards as they become effective. We understand these challenges are not unique to Canada and are being felt by other jurisdictions as well.

With the growth of sustainability reporting and assurance, we expect that the current challenges faced by practitioners will continue and potentially be exacerbated. We are concerned about practitioners' ability to effectively implement future revisions to the IAASB standards, which may in turn impact audit quality. We therefore encourage the IAASB to focus on only those projects that are viewed as high priority projects, and to take a pause to assess practitioners' ability to implement the new and revised standards before initiating any other projects.

### **Leadership on implementation guidance**

The timeliness of first-time implementation guidance is particularly important to ensure effective implementation of the IAASB's audit standards. Effective implementation, in turn, helps to improve the consistency and quality of audits performed.

To enhance the timeliness of first-time implementation guidance, it is important for the IAASB to identify potential implementation challenges and start developing guidance at earlier stages of a project.

We recognize that the IAASB has many project demands and identifying sufficient resources to undertake all of them is a challenge. In Canada, as the standard-setting body, we document potential implementation challenges identified throughout the project, including when analyzing input from interested and affected parties on documents for comment. Our staff then work with CPA Canada, the professional accounting body, who leads the development of guidance, including identifying the required resources (e.g., contractors, new volunteers, or existing committee volunteers). Guidance is available in both English and French shortly after the project is finalized. To supplement the IAASB's resources, the IAASB may wish to consider working with IFAC<sup>2</sup> and National Standard Setters to establish

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<sup>2</sup> International Federation of Accountants

a similar process to develop timely guidance. However, if the IAASB does decide to partner with or support other organizations creating implementation guidance, there will still be a resource requirement from the IAASB to communicate the potential issues and perform fatal flaw reviews of the guidance so that it is not inconsistent with its standards.

### **High priority projects<sup>3</sup>**

In our view, the high priority projects are:

#### ***Projects relating to audits and reviews of historical financial information***

- Post-implementation reviews of ISA 315 (Revised 2019)<sup>4</sup>, ISA 320<sup>5</sup> and ISA 540 (Revised);<sup>6</sup>
- Responding to Assessed Risks of Material Misstatement (revision of ISA 330<sup>7</sup>); and
- Technology Targeted or Omnibus Project(s), including addressing special audit considerations arising from technology.

#### ***Projects relating to sustainability and other assurance standards***

- **Sustainability standards** - Subject to a decision on an overall strategy for the sustainability assurance suite of standards (see our response to question 5), further standards for assurance on Sustainability Reporting in the following areas:
  - Assurance on reports in accordance with frameworks and/or regulation;
  - Special considerations for group sustainability assurance engagements;
  - Assurance procedures on estimates; and
- **Other assurance standards** - Revision of ISAE 3000<sup>8</sup>, including considerations of whether newly developed requirements and application material in ISSA 5000<sup>9</sup> are applicable to ISAE 3000.

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3 The projects are not ranked – they are listed in the order they appear in our response to the specific questions.

4 ISA 315 (Revised 2019), Identifying and Assessing the Risks of Material Misstatement

5 ISA 320, Materiality in Planning and Performing an Audit

6 ISA 540 (Revised), Auditing Accounting Estimates and Related Disclosures

7 ISA 330, The Auditor's Responses to Assessed Risks

8 ISAE 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information

9 ISSA 5000, General Requirements for Sustainability Assurance Engagements

## Appendix – Responses to Specific Questions

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

We support the IAASB’s proposed goal, keys to success and stakeholder value proposition. In particular, we strongly agree that engagement with interested and affected parties is a key to the IAASB’s success and is an important aspect of the IAASB’s stakeholder value proposition.

On the issue of engagement with interested and affected parties, as indicated in our Overall Comments, practitioners are facing challenges with keeping up with the volume and pace of change. For the AASB, this has resulted in challenges with recruiting field-testers and participation in outreach sessions on our documents for comment, a key input to satisfying our due process in adopting IAASB standards. This engagement is also a key input into the feedback that we provide the IAASB as part of its due process. Obtaining timely input on the IAASB’s exposure drafts, including potential implementation challenges more likely to be identified by practitioners, is critical to ensuring the standards are revised appropriately.

We recommend the IAASB continue to monitor and be mindful of the pacing of its documents for comment. In doing so, the IAASB should ensure sufficient time is provided to allow for quality education, outreach and engagement, both by the IAASB but also by National Standard Setters, on the proposals.

Finally, to help practitioners to effectively implement the IAASB’s standards, we recommend that the IAASB commit to building in sufficient time and resources to support the development of timely implementation tools/resources on all its projects.

### **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 generally agree with the proposed strategic drivers.

On the environmental factor relating to supporting the implementation of standards, we believe that developing implementation guidance should be a priority area for the IAASB. Effective implementation and application of standards helps to improve the consistency and quality of audits. As indicated in our overall comments, the IAASB may wish to consider working with IFAC and the National Standard Setters to establish a process to identify potential implementation challenges and develop guidance at earlier stages of a project.

On the environmental factor relating to the impact of technology, we agree that the use of technology by practitioners and the impact of disruptive technologies on engagements is a key environmental factor that drives the opportunities and challenges impacting the IAASB’s ability to achieve its goals.

Accordingly, we emphasize the importance for the IAASB to develop a strategy around technology.

On the environmental factor relating to increasingly tight timelines to meet heightened expectations, we recognize the public interest desire for timely standards. However, the potential negative impact on the public interest arising from interested and affected parties not being given sufficient time to implement standards and absorb changes must also be considered.

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

We agree with the proposed strategic objectives and strategic actions subject to our overriding view that serving the public interest requires an appropriate balance between:

- the need to ensure standards will be available when needed (“on time”) to address the needs of users; and
- the thoughtful (but often lengthy) process of carefully drafting high-quality standards, which also includes supporting the effective implementation of standards.

**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.**

***Post-Implementation Reviews***

The Consultation Paper indicated that the IAASB is considering a number of possible post-implementation review (PIR) projects during the Work Plan period. We believe that PIRs of the following ISAs are high priority:

- **ISA 315 (Revised 2019)** – This ISA sets the foundation of the audit – i.e., it drives the auditor’s identification and assessment of risks of material misstatement. Further, the IAASB has incorporated concepts from ISA 315 (Revised 2019) into several recent proposed revisions, such as the proposals

for ISA 240<sup>10</sup>, ISA 570 (Revised)<sup>11</sup>, and ISSA 5000. It is important that the IAASB understand if the principles in ISA 315 (Revised 2019) are causing any implementation issues before rolling out those principles across other new or revised standards.

- **ISA 320** – We have heard from some of our interested and affected parties that there is divergence in practice in the determination of materiality, including a trend of increasing use of non-traditional metrics to determine materiality (e.g., as % of assets) that is exacerbated by the pandemic. A PIR may help the IAASB to consider whether changes are needed to ISA 320 given the current environment and practices.
- **ISA 540 (Revised)** – In Canada, results of practice inspections often identify auditing estimates that involve significant judgments as an area of weakness. We believe that the challenges involved in auditing estimates is common globally. A PIR may help the IAASB to consider whether changes are needed to ISA 540 (Revised).

### ***Possible standard-setting projects***

On the possible projects as set out in Table B, we agree with the IAASB that the following projects are high priority:

- **Responding to Assessed Risks of Material Misstatement (revision of ISA 330)** – The revision of ISA 330 is necessary to align the requirements with changes made to ISA 315 (Revised 2019) and changes in proposed ISA 500 (Revised)<sup>12</sup>. Not updating ISA 330 may result in confusion and inconsistencies in applying the new concepts introduced in ISA 315 (Revised 2019) and ISA 500 (Revised), which may impact audit quality.
- **Technology Targeted or Omnibus Project(s)** – There is an urgent need to address rapidly changing technologies and their impact on audit considerations. For example, new technologies may allow auditors to test 100% of a population, which may result in a far greater number of “exceptions” as compared to testing a small sample. Such a result may, in turn, impact the auditor’s consideration of what is considered an “exception”. In our view, ISA 520<sup>13</sup> and ISA 530<sup>14</sup> are most likely to be affected by new technologies and their impact on audit considerations.

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10 ISA 240, The Auditor’s Responsibilities Relating to Fraud in the Financial Statements

11 ISA 570 (Revised), Going Concern

12 ISA 500 (Revised), Audit Evidence

13 ISA 520, Analytical Procedures

14 ISA 530, Audit Sampling

As indicated in our overall comments, we encourage the IAASB to focus on these high priority projects, and to take a pause to assess practitioners' ability to implement the new and revised standards before initiating any other ISA projects.

**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.**

### ***Sustainability Assurance***

We recognize that corporate reporting around the world is changing rapidly. In October 2021, the Canadian Securities Administrators published proposed climate-related disclosure requirements. The Canadian proposals reflect a global trend towards a focus on an integrated approach to financial, sustainability and other non-financial information. While there are currently no regulatory requirements in Canada for assurance engagements to be performed on sustainability information, we expect this will change in the future. Demand for assurance services on sustainability information will likely increase as sustainability reporting standards are implemented.

As a global sustainability assurance standard setter, the IAASB should decide on a plan for how its suite of sustainability assurance standards will be structured to ensure future standards are developed more effectively and efficiently. We recommend that the IAASB decide on this overall strategy before starting another sustainability assurance standard setting project (i.e., will sustainability assurance standards be developed to be applied together like the ISAs or as “stand-alone standards” underneath an “umbrella standard” similar to the structure of standards in the 3000-series).

Pending the IAASB's overall strategy on developing sustainability assurance standards, we view the following future standard-setting areas as high-priority:

- **Assurance on reports in accordance with frameworks and/or regulation (e.g., sustainability reporting standards promulgated by key international organizations that deal with sustainability standards such as the GRI<sup>15</sup>, ISSB<sup>16</sup>, UNSDG<sup>17</sup>)** – This future standard-setting project should be

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15 Global Reporting Initiative

16 International Sustainability Standards Board

17 United Nations Sustainable Development Group



prioritized as it will be the future of sustainability assurance engagements once the frameworks are more established.

- **Special Considerations for Group Sustainability Assurance Engagements** – Currently, ISSA 5000 provides limited requirements and guidance for circumstances when the sustainability assurance engagement is conducted on consolidated sustainability information. We believe that it would be challenging to adequately address this topic in an overarching standard. The importance of a standard-setting project on group sustainability assurance engagements depends on the extent to which ISSA 5000 addresses this topic.
- **Assurance Procedures on Estimates** – Similar to the above, we believe that it would be challenging to adequately address this matter in an overarching standard. A standard-setting project on estimates may be important to the extent that this topic is not sufficiently addressed in ISSA 5000.

We also encourage the IAASB to continue to maintain neutrality in future sustainability assurance projects (i.e., avoid promoting one sustainability reporting framework over another). To that end, we suggest that the IAASB's final strategy and workplan refer not just to the ISSB, but to all key international organizations that deal with sustainability standards (e.g., GRI, ISSB and UNSDG).

### ***Revision of ISAE 3000***

The development of ISSA 5000 has identified numerous areas where requirements beyond existing ISAE 3000 have been developed, such as quality management, materiality, and estimates. These areas also exist in other assurance engagements that use ISAE 3000. By reflecting on the new principles, requirements and application material developed for ISSA 5000, and incorporating the relevant material in ISAE 3000, the updated ISAE 3000 will be better positioned to ensure the same high-quality assurance engagements for both existing engagements and future emerging demands for new assurance engagements.

In addition, the IAASB will need to consider the next steps regarding ISAE 3410<sup>18</sup> and ISAE 3400<sup>19</sup> after ISSA 5000 is completed. This may include revising or withdrawing the ISAEs to remove inconsistencies among the assurance engagement standards.

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18 ISAE 3410, Assurance Engagements on Greenhouse Gas Statements

19 ISAE 3400, The Examination of Prospective Financial Information

**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).**

As indicated in our responses to Q4 and Q5, we encourage the IAASB to perform PIRs on certain ISAs and to revise ISAE 3000.

**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 encourage joint and complementary actions with IESBA and other global standard-setting bodies. A possible area of improvement is enhancing coordination on engagement with interested and affected parties. For example, the IAASB, IESBA and other global standard-setting bodies may:

- coordinate their consultations with similar groups to avoid “consultation overload”; and
- assist each other in recruiting “hard-to-reach” groups such as non-practitioners.

In addition to the close coordination between IAASB and the IESBA, we encourage similar coordination, and transparency externally to others on the work, with the following organizations:

- **The International Accounting Standards Board (IASB) and the International Public Sector Accounting Standards Board (IPSASB)** - Many topics such as going concern and disclosure of non-GAAP information may have implications for accounting standards Boards. It would be in the public interest for the IAASB to work closely with the IASB and the IPSASB and provide transparency to others on the work and coordination being done.
- **All key international organizations that deal with sustainability standards (GRI, ISSB, UNSDG)** – This will support the IAASB’s continued framework neutral approach in sustainability assurance standard setting, which we believe is in the public interest. Further, as we have learned from the public interest entity project, definitions and concepts developed by the IESBA may have significant impact on assurance standards. Therefore, we also encourage the IAASB to work with the IESBA and the key international organizations that deal with sustainability standards as the IESBA progresses on its project to align sustainability-specific definitions. Other areas of coordination with key

international organizations that deal with sustainability standards may include monitoring and responding to exposure drafts issued by these organizations.

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

In finalizing the IAASB 2024-2027 Strategy and Work Plan, it would be helpful if a table outlining the project timelines can be provided and updated as needed to help National Standard Setters who follow and adopt the IAASB's work to adequately plan their agendas and support the IAASB in their work.