



March 27, 2014

Mr. James Gunn
Technical Director
International Auditing and Assurance Standards Board
International Federation of Accountants
529 Fifth Avenue – 6th Floor
New York, NY 10017
U.S.A.

Dear Mr. Gunn,

Re: Consultation Paper, *The IAASB's Proposed Strategy for 2015-2019 and the IAASB's Proposed Work Program for 2015-2016*

The Canadian Auditing and Assurance Standards Board (AASB) is pleased to provide its comments on the Consultation Paper (CP), *The IAASB's Proposed Strategy for 2015-2019 and the IAASB's Proposed Work Program for 2015-2016*.

General Comments

We support the efforts of the IAASB to follow a transparent process in developing a Strategy for 2015-2019 and Work Program for 2015-2016. It is very important for the IAASB to set a clear direction for its activities over the upcoming years. Such a clear direction will help the AASB and other national standard setters in developing their own strategic priorities as they continue to support the efforts of the IAASB to build on the existing strong base of standards and address new topics where there is a demonstrated need, consistent with the public interest.

A strategy should represent a balance between the current and future states, identifying possible new topics to pursue, while addressing issues already identified. The AASB supports the proposed Strategy, but has some concerns with the Work Program. In its ISA Implementation Monitoring Project, the IAASB heard from a number of stakeholders that certain standards (such as ISA 600, *Special Considerations — Audits of Group Financial Statements (Including the Work of Component Auditors)*, and ISA 710, *Comparative Information — Corresponding Figures and Comparative Financial Statements*) need revisions. In Canada, we have received similar messages from both our audit and securities regulators. However, if the proposed Work Program is followed, concerns will not be addressed for at least five years. This appears to be a discontinuity between the needs in the public interest to have matters dealt with

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on an expeditious basis and the IAASB's ability to do so. We strongly urge the IAASB to look at its processes and consider how it might respond on a timelier basis to topics identified as having significant public interest implications.

We hope that these comments will be useful to the IAASB in finalizing the Strategy for 2015-2019 and Work Program for 2015-2016. If you have any questions or require additional information, please contact Greg Shields, Director, Auditing and Assurance Standards at (416) 204-3287.

Yours very truly,



Mark Davies, CIA, CPA, CA

Chair, Auditing and Assurance Standards Board (Canada)

c.c. Canadian Auditing and Assurance Standards Board members

Bruce Winter, FCPA, FCA

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APPENDIX: RESPONSES TO QUESTIONS IN THE CONSULTATION PAPER

Proposed Strategy for 2015-2019

The IAASB is particularly interested in respondents' views on:

- (a) **Whether the strategic objectives identified are considered appropriate for the period 2015-2019. If not, please explain.**

The strategic objectives identified in the proposed strategy appear to be appropriate. They reflect a continued focus on the financial statement audit environment and the need for collaboration with others. The strategic objectives also appropriately reflect the need for the IAASB to consider activities that will promote the adoption and effective implementation of standards. Specific comments on each strategic objective are noted below.

Develop and Maintain High-Quality ISAs that are Accepted as the Basis for High-Quality Financial Statement Audits

Responses to the IAASB's online Stakeholder Survey called mainly for significant focus on implementation support and guidance, particularly for SMPs, although it is noted that there was also support for revision of standards as necessary in light of findings from the IAASB ISA Implementation Monitoring Project. However the proposed strategy and work program seem to heavily favour revision of standards.

In some cases, issues arise from implementation of standards, rather than from deficiencies in the standards themselves. Therefore, in some cases, an effective approach to addressing specific issues would be for the IAASB to facilitate and provide input into the development by other bodies of relevant non-authoritative material.

Ensure the IAASB's Suite of Standards Continues to be Relevant in a Changing World by Responding to Stakeholder Needs

We support the IAASB's continuing efforts to take the pulse of the environment in which public accountants operate and respond to help ensure that the profession remains relevant, and that its services are highly valued. The IAASB's formation of its Innovation, Needs and Future Opportunities (INFO) Working Group is a useful step in helping to ensure that the IAASB is kept abreast of significant developments.

Collaborate and Cooperate with Contributors to the Financial Reporting Supply Chain to Foster Audit Quality and Stay Informed

The AASB has no specific comments on this strategic objective.

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- (b) Whether the factors included in Appendix 2 on page 19 represent a reasonable basis for the IAASB to use in developing its Work Programs beyond the Work Program for 2015-2016.**

The factors guiding the identification of potential priorities and actions in future work programs proposed in Appendix 2 on page 19 of the CP seem reasonable. However it is not clear how these factors were applied in determining the nature and priority of projects the IAASB has included in its proposed Work Program for 2015-2016. For example, the first bullet point in paragraph 2 on page 19 refers to the perceived urgency in the public interest of the need for change. Later in the document in paragraph 40, the IAASB notes that it considered prioritizing the topic of group audits (ISA 600), but decided that other projects should take priority because they could be completed on a timelier basis. This seems counterintuitive – it would seem that a project that could take a longer timeframe to complete should be started as early as possible, considering there seems to be a need for change.

Proposed Work Program for 2015-2016

The IAASB is particularly interested in respondents' views on:

- (a) The approach taken to the development of the Work Program for 2015-2016, in particular the IAASB's decision to focus on fewer key projects towards the goal of their completion by 2017.**

The AASB has some concerns with IAASB's proposed approach to focus on fewer projects in an attempt to accelerate their completion. As noted above, this proposal would result in significant delays in starting certain projects (such as group audits) that seem to be very important. Respondents to the ISA Implementation Monitoring Project may perceive the IAASB as not taking the monitoring project seriously, since it appears that it will be several years before some issues identified by this project are addressed. The Work Program states that the IAASB has the capacity to discuss up to five topics at a meeting. However, it seems that under the current proposals, there would likely be only about three topics discussed at any given meeting.

Another key issue is that based on the possible timing for future projects in Appendix 2 of the Proposed Work Program (page 42), it would appear that three projects will be started and finished around the same time. This raises questions, not only of IAASB resource capacity, but also that of stakeholders. If projects begin and end around the same time, one would expect that exposure drafts would also be issued around the same time, placing a significant burden on stakeholders and reducing the likelihood of obtaining significant, well-thought out feedback. The IAASB should consider staggering the timing of projects so that the workload for the IAASB and its stakeholders is more evenly distributed over time.

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- (b) The appropriateness of the topics chosen as the focus for the Work Program for 2015-2016 (see paragraph 4 of the Work Program and Table A on pages 26-29) in light of the strategic objectives set out in the IAASB's Strategy for 2015-2019.**

The proposed project on professional skepticism is pervasive in nature, and quite different from projects undertaken in the past. Unlike the project on audit quality, the professional skepticism project is meant to result in actual changes to standards. Given how the concept of professional skepticism pervades all standards, it seems likely that the identified potential changes to standards (i.e., ISA 200 and a number of other standards identified in the footnote on page 27 of the CP) may be too narrow. For example, some of the issues related to the quality of group audits may relate to improper exercise of professional skepticism. The same can be said for a lot of other audit quality issues. Putting an appropriate fence around this project may be quite difficult, but if there is no "fence" the IAASB may find the extent of improvement to audit quality resulting from this project might not be justified in light of the very significant time and effort the IAASB would require to complete this work.

- (c) Whether there is an action(s) or project(s) that has not been included in the Work Program for 2015-2016 that you believe the IAASB should address during that period. For example, should any of the topics in Appendix 1 (on pages 39-41) be prioritized sooner? If so, which initiative(s) identified in Table A (on pages 26-29) do you believe should be replaced by this action(s) or project(s). Please provide an explanation of your views.**

As noted in our cover letter, we have concerns about the delay in commencing work on ISA 600. This is a project that we believe should be undertaken on a timelier basis than that proposed in the Work Program.

In its previous consultation on strategy, the IAASB proposed that a project would be undertaken to revise ISRS 4400, Engagements to Perform Agreed-Upon Procedures Regarding Financial Information. This proposal received a significant amount of support; however the current plan anticipates that this project will not be started until 2017 at the earliest. This seems to be a significant delay in providing needed updates to a standard often used in practice. If the IAASB were to rethink its decision and undertake a small number of additional projects before 2017, in the near term, the revision of ISRS 4440 should be included in those projects.

- (d) Whether there are alternative approaches for the IAASB to consider in order to enhance the IAASB's ability to address calls from stakeholders for IAASB efforts on a variety of important topics, in light of the constraints of available resources and the need for due process to be applied in the development or revision of standards.**

The IAASB's practice has been to populate its task forces primarily with IAASB members. This places a heavy burden on IAASB members on top of the substantial work load associated with preparing for and participating in IAASB meetings.

The IAASB may wish to consider a different approach to setting up its task forces, perhaps on a trial basis, with the majority of task force members being non-IAASB members. In addition to reducing the burden on IAASB members, there would be more potential for having required specialized knowledge among task force members. This may also be a useful way of identifying individuals having the required attributes of future IAASB members. Another benefit to changing the composition of task forces is that the IAASB would not be faced with the issue of losing key members in middle of a project when their term as IAASB members ends. The AASB has followed this model with much success.

As a trial run, the IAASB might consider having mostly non-IAASB members on its task force to undertake the possible future project on special audit considerations relating to audits of financial institutions. These task force members could bring to bear, for example, knowledge of diverse national laws and regulations pertaining to financial institutions.

The IAASB could also consider drawing on the resources of other National Standard-Setters, as was done during clarity project. This could involve placing people on task forces or adopting national standards, with appropriate revisions, as international standards.

The IAASB invites any other comments that you believe are important to provide input to the IAASB for the purpose of developing its future strategy and work programs.

The strategic plan should clearly identify performance indicators or outcomes/outputs. Without such indicators it will be hard to hold IAASB accountable. It will be difficult to prove to stakeholders that the objectives of the plan have been achieved. The CP refers to initial measures, but more detailed and tangible performance indicators are likely needed.