



Canadian Securities  
Administrators

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International Auditing and Assurance Standards Board  
529 Fifth Avenue 6th Floor  
New York, New York 10017  
U.S.A.

Cc: Canadian Auditing and Assurance Standards Board

**Subject: A Framework for Audit Quality – Consultation Paper**

Dear IAASB Members:

The Canadian Securities Administrators (CSA) is an organization of Canada's provincial and territorial securities regulators whose objective is to improve, coordinate and harmonize regulation of the Canadian capital markets. The CSA Chief Accountants Committee is comprised of the Chief Accountants from the provinces of Ontario, Quebec, Alberta and British Columbia. We are submitting this letter to you in response to the invitation to comment from the International Audit and Assurance Standards Board (the IAASB) on its consultation paper *A Framework for Audit Quality* (the Framework).

We appreciate the opportunity to comment on the Framework. We support the IAASB's efforts to engage stakeholders in exploring ways to improve the quality of audits. The terms "audit quality" and "a quality audit" are being used with increasing frequency in various settings and the IAASB's Framework project provides an opportunity to explain what these terms mean. However, we are very concerned that the Framework does not clearly communicate how the concept of audit quality relates to compliance with International Standards on Auditing (ISAs). We think that clarity on this issue is critical to avoid confusion among stakeholders about the nature of an audit and what investors should expect from an audit.

The Framework includes several statements about the relationship between the concept of "audit quality" and ISAs. These statements provide some information about the relationship between the two, but also raise several questions. In particular we note the following:

1. The IAASB's vision statement on page 8 of the Framework includes the statement: "Auditors are required to comply with relevant auditing standards and standards of quality control within audit firms, as well as ethics and other regulatory requirements. The Framework is not a substitute for such standards, nor does it establish additional standards or provide procedural requirements for the performance of audit engagements."

This statement explains how the Framework does *not* relate to ISAs, but fails to clearly explain how the Framework *does* relate to ISAs.

2. Paragraph 3 of the invitation to comment states: “Auditing standards provide an important foundation supporting audit quality. In particular, the ISAs issued by the IAASB describe the auditor’s objectives and establish minimum requirements. However, the majority of the requirements in ISAs either provide a framework for the judgments made in an audit or need judgment for them to be properly applied.”

The first sentence of this quote raises the question of whether or not an audit, done in compliance with ISAs, is a “quality” audit. The reference to “minimum requirements” in the second sentence seems to suggest that compliance with ISAs may be insufficient to ensure an acceptable audit. Finally, it is not clear how the reference to judgments and ISAs in the third sentence relates to the Framework. In particular, it is unclear whether one of the intended purposes of the Framework is to provide guidance on processes and tools to ensure that auditors do a good job in making judgments required by ISAs. We think the Framework should clearly explain whether compliance with ISAs is only one component of a “quality audit” or alternatively whether the various elements of audit quality described in the Framework are integral to the goal of compliance with ISAs.

3. Paragraph 18 of the Framework (duplicated on page 9) raises similar questions about the relationship among sufficient appropriate audit evidence, elements of audit quality, and reliability of an auditor’s report.

4. Paragraphs 13 and 14 of the Framework explore various stakeholders’ views about what “audit quality” means. Paragraph 15 states: “balancing these different views suggests that a quality audit involves an effective audit being performed efficiently, on a timely basis and for a reasonable fee.” It is not clear whether audit quality could also involve elements other than those listed in paragraph 15. The meaning of “an effective audit” in paragraph 15 is also unclear as is the relationship between “an effective audit” and compliance with ISAs. In addition, it is not clear how the five features described in paragraph 18 relate to the elements described in paragraph 15 and in particular, whether the features described in paragraph 18 go beyond the elements contemplated by paragraph 15.

Although paragraphs 15 and 18 are not described as definitions of “a quality audit”, these paragraphs appear to provide the IAASB’s working definition of the term. The Framework seems to use the terms “a quality audit” and “audit quality” interchangeably, although the Framework does not specify if these two terms mean the same thing. The Framework seems to imply that an acceptable level of quality is achieved only when all the elements described in paragraphs 15 and 18 are present (effectiveness, efficiency, timeliness, reasonable fee, etc.). We agree that a comprehensive definition of audit quality may be useful for auditors and standard-setters. However, we think the Framework should more explicitly acknowledge that there cannot be one single definition of “a quality audit” or “audit quality” because some stakeholders value certain elements described in paragraph 15 and 18 differently than other stakeholders.

Securities legislation in Canada requires an audit to comply with specified assurance standards (including ISAs); our legislation does not refer to “a quality audit” or the various elements described in paragraphs 15 and 18 such as efficiency, timeliness (other than filing deadlines) or reasonable fee. Similarly, auditor’s reports in Canada refer to compliance with assurance standards, but do not refer to audit quality. We are concerned that stakeholders may interpret the Framework’s discussion of the term “audit quality” as suggesting that compliance with ISAs would not, on its own, result in an audit that meets investors’ needs.

Section 3.4.2 (p.51), section 3.10 (p. 52) and item 4 of Appendix 1 (p.65) discuss the inspections of audit firms conducted by audit regulators. Consistent with the issues discussed in the preceding paragraph, we support an approach to audit regulators’ inspections that focuses on compliance with auditing standards, standards on quality control, and ethics standards. We agree that audit regulators are in a unique position to assess the various elements of audit quality described in the Framework, and may have opportunities to educate stakeholders and promote good practices relating to those elements of audit quality. However, we think that “deficiencies” identified, and disciplinary actions imposed by audit regulators, should relate to compliance with auditing standards, standards on quality control, and ethics standards. We are concerned that the phrase “inspection of audit quality” in section 3.10, in combination with the Framework’s description of “a quality audit” in paragraphs 15 and 18, may suggest a different approach.

We request the IAASB to address the above issues in the Framework.

If you have any questions about our letter, please do not hesitate to contact us.

Yours truly,

**The CSA Chief Accountants Committee**

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