



CANADIAN PUBLIC ACCOUNTABILITY BOARD
CONSEIL CANADIEN SUR LA REDDITION DE COMPTES

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June 4, 2019

Prof. Arnold Schilder
Chair, International Auditing and Assurance Standards

Re: Proposed Strategy for 2020-2023 and Work Plan for 2020-2021

The Canadian Public Accountability Board (CPAB) is pleased to respond to the IAASB's Proposed Strategy for 2020-2023 and Work Plan for 2020-21.

CPAB contributes to public confidence in the integrity of financial reporting of reporting issuers in Canada by effective regulation and promoting quality, independent auditing. CPAB carries out its mandate by conducting inspections of the firms subject to its oversight, either directly or in co-operation with other regulatory bodies in Canada and abroad. It also undertakes other activities to support its mandate including commenting on accounting and auditing standards most important to audit quality, participating in international activities related to enhancing audit quality, publishing thought leadership for the audit industry, and engaging with key stakeholders including audit committees, public company financial management, other regulators and institutional investors.

We are supportive of developing high quality international standards that support audit quality around the world.

In considering the IAASB's strategy and work plan over the next few years we have the following observations.

Setting of priorities – focus on audit and understanding investor perspectives

In setting of priorities, we believe it is important for the board to focus on projects that improve the quality and consistency of audits. It is also important that the board obtains the perspectives of investors and other users of the financial statements to understand their expectations of the audit and key priorities for action.

Completion of current projects

In considering projects the board should focus its efforts, we are supportive of the board's plans to prioritize completion of its current projects, specifically issuing final standards on ISA 315, ISQM 1 and 2 and ISA 220.

ISA 600 – Group Audits

We believe the board should place a high priority on completing a project to update ISA 600 on group audits. Amendments to this standard have been significantly delayed with significant improvements continuing to be required to improve audit quality globally.

Addressing going concern and fraud

In considering areas of importance to investors and other users of the financial statements we believe the board should prioritize projects to consider the auditor's responsibility to detect fraud and the auditor's work effort and responsibility related to going concern. We think that each of these areas have the potential to have a significant impact on the reputation and credibility of the audit profession and are important areas to reconsider in light of developments around the world.

Other areas of focus

In addition to the topics noted above, we believe the board should also consider the following areas:

- Innovation – we encourage the board to increase its efforts to understand innovations in the audit and the impact these developments will have on current and future auditing standards.
- Audit evidence – we are supportive of the board's planned project to consider current developments in auditing including the increased use of technology such as data analytics and the impact this has on audit evidence. We expect this project could have an impact across a variety of different auditing standards.

Reduction in focus on less complex entities and scalability

Over the past year we have noted a number of instances of standard setting projects where there is an increased focus on providing alternative approaches to support the scalability of the standards. We also note the prominent focus of the board's project on less complex entities.

We are concerned that an increased effort to build alternatives and options into auditing standards to support audits of very small entities with insignificant audit fees (for example fees of less than \$5,000) and a focus on developing auditing standards for less complex entities could have an impact of reducing the current protection that investors and other stakeholders receive from the audit. We are concerned that an undue focus in this area could damage the credibility of the audit over the longer term. Accordingly, we recommend the board reconsider its effort in these areas and focus its efforts on the projects noted above.

We would be pleased to discuss further any of the above comments.

Prof. Arnold Schilder
Proposed Strategy and Work Plan
June 4, 2019
Page 3

Yours very truly,

A handwritten signature in cursive script that reads "Carol Paradine".

Carol Paradine, CPA, CA
Chief Executive Officer