



CANADIAN PUBLIC ACCOUNTABILITY BOARD
CONSEIL CANADIEN SUR LA REDDITION DE COMPTES

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February 1, 2016

Eric Turner
Director, Auditing and Assurance Standards
Auditing and Assurance Standards Board
277 Wellington Street West
Toronto, ON M5V 3H2

Dear Eric:

Re: Invitation to Comment – Draft Strategic Plan for 2016-2021

The Canadian Public Accountability Board (CPAB) is pleased to respond to the Invitation to Comment on the Auditing and Assurance Standards Board (AASB)'s "Draft Strategic Plan for 2016-2021".

CPAB is Canada's independent audit regulator responsible for overseeing firms that audit Canadian reporting issuers. Our mandate is to promote high quality independent auditing that contributes to public confidence in the integrity of reporting issuers' financial reporting. We accomplish our mandate by inspecting audit firms and audit working paper files which provides us with insights into the application of auditing standards and how they might be improved.

The AASB's draft strategic plan provides an opportunity for the AASB to take the lead in a changing environment and ensure the audits of entities in Canada continue to protect the public interest and remain relevant to Canada's capital markets.

Effective Stakeholder Engagement

Audit quality depends on the contributions of a number of different stakeholders including audit firms, preparers and those charged with governance. It is also important that the audit remains relevant to its users. Accordingly, we agree with the AASB's proposed objective to achieve a high level of engagement with stakeholders.

We encourage the AASB to think differently about stakeholder engagement with the objective of getting stakeholders involved earlier in projects and using different ways to reach out to targeted individuals and organizations, including those whose opinions are not typically heard. This could include increased use of roundtables, in person meetings and partnering with other organizations to encourage a dialogue and obtain feedback on important projects.

Role of International Auditing Standards

We believe the International Standards on Auditing (ISAs) as issued by the International Auditing and Assurance Standards Board (IAASB) should continue to provide the foundation for Canadian Auditing Standards (CASs). However, we believe there may be circumstances where

it is in the public interest for the AASB to issue new CASs before the IAASB and/or to make amendments to the existing CASs absent changes to the ISAs.

Accordingly, as part of finalizing its strategic plan, we encourage the AASB to develop a model that provides the ability to have necessary divergences between the ISAs and CASs as long as the CASs remain at least as stringent as the ISAs (i.e. any amendments or new standards do not eliminate or contradict the requirements of the ISAs). We encourage the AASB to consider the model adopted in other countries in determining their planned approach.

The role of the AASB in implementation of auditing standards

We support the AASB's objective to assist with the successful implementation of auditing standards in Canada. In considering the planned approach, we encourage the AASB to consider a variety of methods to support effective implementation including the issuance of authoritative guidance where it is in the public interest.

Response to changing trends and emerging issues

It is important for the AASB to research emerging issues and identify those areas where auditing standards need to be developed or amended. The AASB's agenda needs to retain flexibility to allow time for these issues.

Given the rapidly evolving business landscape, we believe the AASB should focus on considering the impact of changes in the environment and ensuring that current auditing standards remain relevant in a changing world. This includes changes to how audits are performed such as the use of offshoring or centres of excellence, the evolution to a business environment that is more reliant on information technology and the impact of evolving technologies on audits including the use of data analytics and artificial intelligence. The Canadian implications of these changes should be researched as they are likely to transform the audit, impacting what is audited and how an audit is conducted with implications for education, hiring, training, standards and the value of the audit.

Relevance of the audit

Finally, the future of the audit depends on the audit being relevant and useful. We believe the AASB should continue to work with users and other stakeholders including audit firms, investors, and others to define the future of the audit and the impact that has on auditing standards.

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

Yours very truly,



Brian Hunt, FCPA, FCA, ICD.D
Chief Executive Officer

cc. Cathy MacGregor, CPA, CA
Chair, Auditing and Assurance Standards Board (Canada)