

June 24, 2024

Auditing and Assurance Standards Board (AASB)  
Bob Bosshard, Chair, AASB  
Karen DeGiobbi, Director, AASB

## **Response to AASB Consultation Paper – 2026-2029 Strategic Plan**

Dear Mr. Bosshard,

The Canadian Public Accountability Board (CPAB) is Canada’s independent public company audit regulator charged with overseeing audits performed by registered public accounting firms. CPAB is committed to protecting the investing public by contributing to public confidence in the integrity of financial reporting.

CPAB is pleased to respond to the AASB Consultation Paper – 2026-2029 Strategic Plan.

### **Overall comments**

We appreciate the AASB’s efforts to set high quality standards and support their effective application to address the evolving needs of interested and affected Canadian parties. We further appreciate the opportunity to comment on the AASB’s strategy, which is focused on ensuring its activities continue to meet the public interest.

We agree that effective implementation and application of standards, outlined in Goal 5, are critical to the quality of audit and assurance engagements in Canada. In our view, it is important the AASB and other key stakeholders undertake activities to help promote the consistent implementation and application of standards and ensure that standards are fit for purpose.

Further, we agree with the objectives of Goals 1 and 3 related to emerging issues and responsiveness, as in our experience proactively developing guidance and standards has a positive impact on the reliability and consistency of financial reporting and assurance.

### **Observations from the implementation of CAS 315**

CPAB observed that auditors had challenges understanding and applying the requirements of the revised Canadian Auditing Standard 315, *Identifying and Assessing the Risks of Material Misstatement* (CAS 315). Our inspections identified significant findings related to the implementation of the standard, ranging across multiple audit areas including revenue, business combinations, financial instruments and inventory. Examples of the application challenges relating to CAS 315 were published in our March 2024 communication to firms, *Identifying and assessing the risks of material misstatement: Strengthening audit quality*. We observed that

the iterative and dynamic approach to risk assessment was not well understood and stressed the importance of providing appropriate tools and guidance for implementation.

### High inspection findings at smaller audit firms

We also support the AASB's objective outlined in Goal 2, to consider the challenges faced by small and medium sized entities, as well as practitioners who perform engagements for such entities.<sup>1</sup> Our [2023 Annual Inspections Results](#) highlights the need for this, as the high level of significant findings<sup>2</sup> at some firms that audit fewer than 50 reporting issuers continue to be concerning. In 2023 there was a finding rate<sup>3</sup> of 66 per cent (19 of 29 files), compared to 81 per cent (25 of 31 files) in 2022. These findings demonstrate a need for additional support to help practitioners understand and apply assurance standards.

### Closing remarks

We encourage the AASB, along with other key stakeholders to explore how to best support smaller practitioners through additional training, guidance and tools. We also want to highlight the importance of coordinating accounting and auditing standards setting activities. We encourage the AASB to work closely with the Accounting Standards Board and International Accounting Standards Board as they work to update accounting standards.

We would be happy to discuss our views further or answer any questions you may have about this letter. If you wish to discuss, please contact me ([carol.paradine@cpab-ccrc.ca](mailto:carol.paradine@cpab-ccrc.ca)) or Stacy Hammett, CPAB Audit Standards Leader ([stacy.hammett@cpab-ccrc.ca](mailto:stacy.hammett@cpab-ccrc.ca)).

Yours truly,



Carol A. Paradine, FCPA, FCA  
Chief Executive Officer

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<sup>1</sup> As outlined in our [April 2023 response](#) to International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (ISAs for LCE) Exposure Draft, we are supportive of the AASB's decision to not adopt the ISAs for LCE standard.

<sup>2</sup> A significant inspection finding is defined as a deficiency in the application of generally accepted auditing standards related to a material financial balance or transaction stream where the audit firm must perform additional audit work to support the audit opinion and/or is required to make significant changes to its audit approach.

<sup>3</sup> A findings rate represents inspection files with at least one significant finding compared to the total number of files inspected by CPAB for that year.