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Submitted electronically

Mr. Thomas R. Seidenstein (Chair)
International Auditing and Assurance Standards Board

Ms. Gabriela Figueiredo Dias (Chair)
International Ethics Standards Board for Accountants

Comments on the IESBA and IAASB Joint Stakeholder Survey

Dear Mr. Seidenstein and Ms. Figueiredo Dias

The Canadian Public Accountability Board (CPAB) appreciates the opportunity to provide input to the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA) as they develop their Strategies and Work Plans for the 2028–2031 period.

CPAB is Canada’s independent public company audit regulator charged with overseeing public company 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 a member of the International Forum of Independent Audit Regulators (IFIAR) and was a contributor to IFIAR’s written response to the IESBA and IAASB Joint Stakeholder Survey. The purpose of CPAB’s response is to emphasize specific points we feel are most important in the Canadian context.

Overall comments

CPAB supports the IAASB and IESBA’s continued focus on relevance, responsiveness, and global consistency. In that context, there remains a clear need for strong coordination across the global standard setting and regulatory ecosystem. Greater coordination among accounting, auditing, ethics and independence standard setters, securities regulators, and oversight bodies is critical to ensuring coherent and effective outcomes.

CPAB encourages greater coordination between the IAASB and IESBA on projects with significant conceptual and operational overlap, including work on firm culture and governance, and alternative ownership structures for audit firms. Ethical considerations are foundational to audit quality and represent one component of the interconnected principles addressed in the International Standards on Quality Management (ISQM) 1. Initiatives related to firm culture and governance, and alternative ownership structures for audit firms should be designed to align seamlessly with ISQM 1 and support effective operationalization within firms’ systems of quality management.

Enhanced engagement with the accounting standard setters is also increasingly important to ensure that new and evolving accounting standards are auditable in practice and can be implemented consistently across jurisdictions. Fragmented or misaligned developments across the ecosystem risk creating unnecessary complexity, undermining audit quality, and eroding public trust.

CPAB has identified the following as the top five trends that will be most influential in shaping audit quality, ethical behaviour, and public trust during the IAASB's and IESBA's next strategy period:

- Digital transformation and the increasing use of emerging technologies
- Call for greater agility in standard setting
- Increased involvement of non-professional accountants in the accounting and auditing profession
- Alternative ownership structures
- Non-assurance service line

CPAB would also like to emphasize considerations related to the following specific projects:

- Materiality for audits
- Firm culture and governance

Digital Transformation – Increasing Use of Emerging Technologies

The increasing use of emerging technologies, including AI-enabled tools, advanced data analytics, and reliance on third-party technology providers, will continue to grow in importance. Digital transformation has already had a significant impact on business models, and the pace of change is accelerating. These developments are affecting both entities subject to audit and audit firms' systems of quality management.

Through CPAB's oversight activities, we have observed some auditors are not able to consistently apply the existing principle-based standards when auditing complex or technology-based business models. CPAB has observed that challenges can arise when transactions, financial information, or the reporting issuers' control environments are highly automated or technology driven.

In addition, CPAB has observed some challenges experienced by audit firms that deploy proprietary tools and audit firms that use tools developed externally by third parties. When these tools are used appropriately by firms and supported by a strong system of quality management, they can support the consistent execution of high-quality audits.

CPAB encourages the IAASB and IESBA to prioritize:

- The development of timely, practical guidance to support consistent application of principle-based standards in technology-enabled environments.
- Clarification of expectations regarding the nature and sufficiency of audit evidence obtained through automated tools.
- Consideration of oversight, certification, or other mechanisms to support confidence that the audit tools are fit for purpose, including whether they operate as intended, are used appropriately by auditors, and produce reliable audit evidence.

The development of timely guidance with input from multiple stakeholders will be critical to support auditors in identifying and assessing the risks related to the digital transformation to develop robust systems of quality management that support the consistent execution of high-quality audits. This includes guidance to support auditors in using technology in a way that supports the application of professional skepticism and judgment.

Call for Greater Agility in Standard Setting

CPAB supports calls for greater agility in standard setting and agrees that this trend is increasing in importance. In this rapidly changing environment, CPAB encourages the IAASB and IESBA to focus on the areas that will have the greatest impact on audit quality and protecting the public interest. In addition to improving the coordination between the IAASB and IESBA, strong coordination with accounting standard setters remains important to ensure that new and evolving accounting standards are auditable in practice and can be implemented consistently across jurisdictions.

At the same time, CPAB emphasizes the need for balance as agility should not come at the expense of due process, clarity, or public interest. CPAB encourages the IAASB and IESBA to:

Make greater use of non-authoritative guidance, where appropriate, to respond to emerging issues in a timely manner.

- Undertake narrowly scoped standard setting projects when targeted clarification is needed.
- Continue to emphasize scalability and proportionality of audit procedures, particularly for smaller and less complex entities.
- Prioritize timely post-implementation reviews to ensure standards are operating as intended across firm sizes and jurisdictions.

Increased Involvement of Non-Professional Accountants in the Accounting and Auditing Profession

The increasing involvement of non-professional accountants and other specialists in audit firms is also evolving rapidly. While this multidisciplinary evolution brings valuable expertise, it also raises important quality management, ethics, and independence considerations.

The growing role of non-professional accountants heightens the importance of:

- Clear accountability structures within firms' to ensure audit quality remains firmly anchored in professional judgment.
- Reinforcement of ethical culture and understanding of the IESBA Code across multidisciplinary teams.
- Guidance on how responsibility, supervision, and professional skepticism should be exercised in increasingly diverse engagement teams.

These considerations are closely linked to alternative ownership structures and firm governance and warrant coordinated attention by the IAASB and IESBA to maintain public trust in the auditing and assurance profession.

Alternative Ownership Structures

CPAB supports close collaboration and coordination between the IAASB and IESBA to respond to evolving risks related to alternative ownership structures, including private equity investment in audit firms. These developments raise fundamental questions about firm culture, governance, and the safeguarding of auditor independence and objectivity.

Timely guidance or standards will be essential to ensure that:

- The public interest is protected as firm ownership and incentive structures evolve.
- Quality management systems appropriately address risks arising from new ownership models.
- The value and credibility of the audit are not diminished.

Non-Assurance Service Line

CPAB supports close collaboration and coordination between the IAASB and IESBA to respond to risks related to the continued growth of non-assurance services, particularly in the context of multidisciplinary firms and alternative ownership structures. This is a key area of risk to public trust that is expected to increase in importance over the next strategy period.

CPAB encourages the IESBA to prioritize a post-implementation review of non-assurance services and related fee provisions, with a focus on:

- Whether existing safeguards remain effective in preserving independence and objectivity.
- How evolving firm structures and business models may require updates to standards or additional guidance.

Other Specific Projects

Against this broader strategic context, we want to highlight the following observations on specific areas where we see the need for focused attention.

Materiality for Audits

CPAB continues to observe inconsistent application of materiality in audit practice under the current international standards. Materiality is a fundamental concept and requires significant professional judgment. In CPAB's view, ISA 320 is outdated and no longer fit for purpose as we continue to observe differing interpretations and outcomes across audits. For example, paragraph A5 of ISA 320 states that profit before tax is often used as the benchmark for profit-oriented entities. However, this does not reflect CPAB's experience in Canada. CPAB has observed frequent use of revenue, total assets, net assets and expenses as benchmarks, with significant variation in the percentages applied across firms and similar entities.

CPAB encourages the IAASB to prioritize work in this area as part of its future strategy and work plan, given the importance of materiality to audit quality and the protection of the public interest.

Firm Culture and Governance

CPAB supports the IESBA’s focus on firm culture and governance as a fundamental driver of audit quality and public trust. Culture and governance shape how ethical values are embedded and acted upon across firms. Accordingly, the primary objective of this project should be to influence behaviour, rather than introduce additional compliance-focused requirements that may not result in meaningful change in practice.

Ethical culture, firm governance, and systems of quality management have a direct and inseparable relationship. ISQM 1 requires firms to demonstrate a firm-wide commitment to quality, the public interest, and professional ethics. In Canada, CPAB has observed that some firms have operationalized several firm culture and governance concepts reflected in the IESBA Viewpoints through their implementation of ISQM 1.

In considering whether enhancements to the IESBA Code or a new framework are necessary, CPAB encourages:

- Close coordination between the IESBA and the IAASB to ensure alignment, avoid duplication, and support effective implementation. This includes a holistic assessment of how existing requirements in the IESBA Code interact with ISQM 1 and related standards, to identify genuine gaps and avoid layering additional requirements.
- Disciplined assessment of the objectives of the project, including the intended outcomes. In CPAB’s view, a new or expanded mandatory framework risks adding complexity without proportionate benefit and would be challenging to enforce across diverse firm structures and jurisdictions. Any approach to firm culture and governance should remain principles-based, scalable, and proportionate.
- Development of robust non-authoritative guidance including scenario-based case studies and guidance focused on ethical dilemmas and governance challenges. This could include illustrating good practices that support making informed judgments and decision-making.

Closing Statement

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, Stacy Hammett, Chief Auditor (stacy.hammett@cpab-ccrc.ca), or Jeremy Justin, Vice-President, External Outreach (jeremy.justin@cpab-ccrc.ca).

Yours truly,



Stacy Hammett, Chief Auditor
Canadian Public Accountability Board

cc. Jeremy Justin, Vice-President, External Outreach
Bob Bosshard, Chair, Auditing and Assurance Standards Board (AASB)