



Consultation Paper

Draft Strategic Plan 2022-2025

January 15, 2021

**COMMENTS TO AASB MUST BE RECEIVED BY
April 15, 2021**

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CHAIR MESSAGE

So much has changed since we consulted with you in 2015 on our Strategic Plan. Top of mind is the ongoing COVID-19 pandemic, the resulting economic uncertainties, and its impact on all aspects of our life. A permanent shift to more remote work appears inevitable. The business and economic environment has become more global and complex. New types of businesses, such as those active in cryptocurrencies and cannabis are creating unique financial reporting and assurance challenges. Entities are implementing new technologies that change how business and operations are conducted. Accounting standards are evolving to address more complicated transactions and new forms of reporting are emerging to meet the changing needs of users. At the same time, public confidence in audits is changing.

Our oversight body, the Auditing and Assurance Standards Oversight Council (AASOC), published a paper clarifying [what the public interest means](#). The identified public interest considerations have guided the development of our proposed strategy. You will see that our strategies consider the changing environment and focus on understanding the related emerging issues and needs of stakeholders. The pandemic amplifies the relevance of our strategic directions and is a direct cause of the accelerated increase in remote working. We are committed to engage with our stakeholders to enhance our understanding of their needs and collaborate to develop solutions. We must also be nimble and adapt our processes to respond quickly with effective solutions. Working with AASOC we will consider the implications on our processes and structure of any changes in the governance and operations of the International Auditing and Assurance Standards Board (IAASB) resulting from the recent [Monitoring Group report](#).

Since 2009, the Auditing and Assurance Standards Board (AASB) has successfully implemented a standard-setting strategy that is based on adopting the quality control and auditing standards issued by the IAASB. This Draft Strategic Plan reflects our commitment to continue adopting these international standards as we believe global alignment of auditing standards is critical to maintaining stakeholder confidence as their needs evolve. We have also successfully developed new and revised standards for review and compilation engagements, among others, that are specific to our Canadian environment.

The accelerating pace of change and continuing pandemic make it difficult to anticipate the future and understand the challenges ahead. One constant, however, is the need for reliable information to make decisions – and it is becoming more important. It is in this context that we propose our strategy for fiscal 2022 to 2025. We believe our proposed goals will lead to the AASB continuing to set high-quality standards and guidance in the public interest.

We thank you for participating in this consultation and look forward to receiving your input and advice as we finalize our strategy.

Ken Charbonneau, FCPA, FCA, ICD.D
AASB Chair

REQUEST FOR COMMENTS

Comments to the AASB must be received by April 15, 2021.

We value your input and look forward to your feedback on this Draft Strategic Plan. Comment on this document on [Connect.FRASCanada.ca](https://connect.frascanada.ca) or by submitting a [comment letter](#) addressed to:

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

Questions

The AASB welcomes comments from all stakeholders. In particular, we would like to hear your views on the following questions:

1. Do you agree with our mission? If not, how would you recommend we change it?
2. Do you agree that the AASB has identified the appropriate strategic directions? If not, what additional or different strategic directions would you suggest?
3. Do you agree with the proposed goals and objectives? If not, what additional or different goals or objectives would you suggest?
4. Are there additional developments in the environment not reflected in the Draft Strategic Plan that may need to be considered in finalizing the Strategic Plan? If so, please provide us with details and the impact you expect such developments to have on Canadian stakeholders.
5. Are there any other topics that we should consider in finalizing our strategic plan?

PURPOSE AND MISSION

Purpose

The AASB is an independent body with the authority and responsibility to set standards and guidance for quality control, audit, other assurance, and related services engagements in Canada.

Mission

The AASB serves the public interest by setting high-quality standards and guidance and supporting their effective application to address the evolving needs of Canadian stakeholders.

ENVIRONMENTAL THEMES DRIVING OUR STRATEGIC DIRECTIONS

We considered significant developments in the Canadian and global environment that may affect our stakeholders (referred to as “environmental themes”) in developing our Draft Strategic Plan. These environmental themes drive the strategic directions we will take.

Advancement in, and use of, technology

- In recent years, rapidly changing and evolving technologies used by entities have impacted operations, including communication, and information systems.
- The use of technology-enhanced tools and techniques by practitioners to perform work on engagements, and the way that such technologies influence how engagement teams are structured and interact, is evolving.

Strategic direction: Reflect the increasing use of technology by entities and practitioners in our standards and guidance.

Increasing complexity and its implications

- Accounting practice is responding to increased complexity in the business environment. Transactions are becoming more complicated and financial reporting continues to change, resulting in more estimates and management judgments. Furthermore, disruptions arising from economic, political, environmental or societal developments create economic uncertainty, which increases the complexity around such estimates and judgments.
- The pace of change in the business environment is increasing pressures on the responsiveness and relevance of standards. It is increasingly important to develop timely guidance that responds to rapidly arising issues.
- The growing adoption of more complex auditing and assurance standards increases implementation and application challenges for practitioners, and, consequently, the need for guidance and support.

Strategic direction: Address the increasing complexity in the environment in our standards and guidance.

*Environment for small and medium-sized entities**

- Small and medium-sized entities are asking for assurance services that are more responsive to their activities and the needs of their stakeholders.
- There is increasing pressure on standard setters to provide scalable and proportional standards, which respond to the less complex elements of an entity’s operations and financial statements.

Strategic direction: Provide solutions that respond to the environment for small and medium-sized entities and allow practitioners to apply standards in a scalable and proportional way on the less complex elements of an entity.

* also described as less complex entities

Changing information needs of users

- Information provided by entities continues to evolve, with many users in various sectors of the economy looking for information beyond traditional financial statements.
- The need for assurance on this information is evolving and it is not clear whether additional standards are required to meet these evolving needs.

Strategic direction: Understand and respond to the evolving information needs of users.

Expectations and changing public confidence in audits

- Stakeholders expect more than what the standards require the auditor to do, such as relating to the detection and reporting of fraud, and consideration of going concern issues. This expectation may be heightened when there is greater economic uncertainty.
- Significant corporate failures in other jurisdictions and the related actions taken provide an opportunity to consider the quality of entity reporting in Canada.
- There is a need for enhanced collaboration amongst all involved parties to identify and provide a timely response to emerging entity reporting issues.

Strategic direction: Understand and respond to the expectations and changing public confidence in audits.

Remote working environment

- Health and safety concerns resulting from the COVID-19 pandemic have caused an increase in remote working, both by entity personnel and practitioners.
- Practitioners are responding to the need to conduct engagements remotely, and raising questions about how standards can be adapted to this environment.

Strategic direction: Understand and assess the impact of a remote working environment on our standards and guidance.

OUR GOALS TO SUPPORT OUR STRATEGIC DIRECTIONS



GOALS AND OBJECTIVES

We serve the public interest by responding to the evolving environment, balancing the needs of all stakeholders, setting high-quality standards and assisting in effectively implementing and applying them.

Our goals and objectives reflect our strategic directions and have been developed to direct our annual plans for fiscal 2022 to 2025.



Goal #1 – Monitor and understand emerging issues in the changing environment to better anticipate standard-setting issues

The increased prevalence of remote working environments, use of new technologies, a desire for information outside traditional financial statements and new types of reporting, as well as growing expectations of what an audit should deliver are some examples of issues emerging in an ever-changing environment.

We need to monitor and understand these developments to anticipate standard-setting issues. When assurance is required, appropriate standards and guidance need to be available.

To better anticipate standard-setting issues arising from these developments, we will seek to accomplish the following objectives:

- Understand the longer-term implications of a remote work environment.
- Understand the scope of information that may require assurance including non-GAAP and non-financial measures, and environmental, social and governance (ESG), sustainable finance, and other reporting frameworks.
- Determine whether current standards are capable of being responsive to emerging industries and changing business practices.
- Understand the gaps between stakeholder expectations and existing standards.
- Understand the use of technology, both by entities and practitioners.
- Understand the needs of various types of stakeholders for new or different services.



Goal #2 – Engage and collaborate with stakeholders to understand their needs and expectations

A high level of stakeholder engagement is integral to achieving our mission. Ongoing communication and targeted stakeholder outreach is necessary to develop high-quality standards and guidance. New strategies need to be considered to involve stakeholders who have been difficult for us to engage in our work.

To understand stakeholder needs and expectations, we will seek to accomplish the following objectives:

- Enhance engagement and collaboration with small and medium-sized entities, practitioners who perform engagements for such entities, and users of their financial information, to inform initiatives to address challenges faced by these groups.
- Collaborate with stakeholders through outreach activities and, when appropriate, actively participate in their initiatives.
- Develop innovative processes and methods, taking into consideration changes to how people work, to enhance engagement with, and obtain timely feedback from, all stakeholders.
- Explore new and creative means of communicating with our stakeholders.



Goal #3 – Set high-quality standards and guidance that respond to the evolving needs and expectations of stakeholders

To maintain confidence in our activities, it is becoming increasingly important that our work is effective, responsive to the shifting priorities, needs, and expectations of stakeholders and addresses the impact of a changing environment.

Enhancing efforts to communicate the needs of Canadian stakeholders to the IAASB is important to contributing to the direction of IAASB standard-setting activities, particularly for the standards we have committed to adopt as Canadian standards.

To respond to the evolving needs and expectations of stakeholders, we will seek to accomplish the following objectives:

- Participate with other national standard setters in global discussions on matters that are affecting our respective standard-setting environments.
- Determine ways to address the evolving needs of Canadian stakeholders, including for non-GAAP information, non-financial measures, and other information.
- Explore ways to address complexity, understandability, scalability, and proportionality of our standards, including developing solutions to assist practitioners in operationalizing the standards, particularly for the less complex elements of an entity.
- Challenge whether existing standards are addressing public expectations and meeting the public interest for services provided using those standards.
- Determine the need for standards or guidance to support the evolving use of technologies and remote working environments.



Goal #4 – Enhance our standard-setting processes and capabilities to develop more timely solutions

Rapidly emerging issues often demand timely solutions. To deliver timely standards and guidance, we need to consider new processes that are innovative, use technology and involve collaboration with others, including subject matter experts.

To develop more timely solutions, we will seek to accomplish the following objectives:

- Determine what improvements we may make to existing processes to speed up time-to-market.
- Develop new processes to provide timely solutions that address rapidly emerging issues, for example, processes using new technologies and involving subject matter experts.
- Enhance our processes to contribute to the development of standards and guidance by the IAASB more effectively.
- Identify ways to periodically evaluate or measure the effectiveness of our delivery of standards and guidance.



Goal #5 – Support the effective implementation and application of standards and guidance to enhance consistency and quality in engagement performance

Effective implementation and application of standards helps to improve the consistency and quality of engagements performed. Monitoring and responding to matters identified during the application of standards helps us maintain standards that are fit-for-purpose and helps practitioners better understand and consistently apply our standards.

To enhance the consistency and quality of engagement performance, we will seek to accomplish the following objectives:

- Analyze implementation risks for each standard we approve, and the nature, timing, and extent of guidance needed to support implementation.
- Assess and help promote the consistent implementation and application of standards and guidance in Canada.
- Address concerns about the application of our standards and guidance identified through practice inspection results and other means.
- Undertake post-implementation reviews of standards whether in connection with related reviews conducted by the IAASB on standards we have adopted, or on domestic standards.
- Determine whether there is an expanded role we can play in fostering consistent, high quality performance of engagements using our standards.
- Support those that develop guidance on implementing and applying standards.

ACCOUNTABILITY

We are accountable to our stakeholders for the achievement of our Strategic Plan goals, which is assessed by measuring achievement of the related objectives.

We are also accountable to AASOC for the effective and efficient fulfillment of our mission and goals. We report annually to AASOC on our performance.

We measure achievement of the objectives by:

- developing annual plans setting out the specific activities supporting the achievement of the objectives;
- measuring and reporting annually on our performance of the specific activities; and
- completing regular performance assessments to assess progress towards achieving the objectives through the completion of annual activities.

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