



AASB

Auditing and Assurance
Standards Board

The Audit and Assurance landscape is evolving... How are the standards responding?

CPA Alberta Education Foundation Annual Conference
May 2023

Presenters



Bob Bosshard, Chair
Auditing and Assurance Standards Board



Michelle Balmer
Senior Assurance Partner, MNP Calgary and
Auditing and Assurance Standards Board Member

Topics for discussion

- 1) **Fraud and Going Concern**
- 2) **Sustainability**
- 3) **Technology – Audit Evidence**
- 4) **Other Strategic Initiatives**

Fraud and Going Concern

The evolving landscape...



cpab exchange

MAY 2022

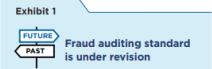
Fraud thematic review

The results of our fraud thematic reviews suggest that auditors could do more to enhance the quality of their fraud risk identification and assessments. Performing a high-quality fraud identification and assessment is critical to fulfilling the auditor's responsibilities with respect to detecting fraud in audits of financial statements.

Introduction

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 contributes to public confidence in the integrity of financial reporting and is committed to protecting Canada's investing public.

CPAB performed fraud thematic reviews in 2019 and 2021 to evaluate the quality of fraud-related procedures in audits of financial statements of public companies. The fraud thematic reviews also provided insights into how the international auditing standard that deals with an



cpab exchange

Going concern thematic review

The financial health and ability of reporting issuers to continue as a going concern is a key source of information for users of financial statements. Our current review coincides with a period of global uncertainty arising from geopolitical developments, supply chain disruptions and other factors that could affect future outcomes.

The auditor's responsibilities are to obtain sufficient appropriate audit evidence to support the appropriateness of management's use of the going concern basis of the financial statements; and to conclude whether there is a material uncertainty that may cast doubt on the ability to continue as a going concern.

The Canadian Public Accountability Board (CPAB) has maintained an ongoing dialogue with stakeholders since 2020 to understand their views on the



CLOSING THE EXPECTATION GAP IN AUDIT – THE WAY FORWARD ON FRAUD AND GOING CONCERN: A MULTI-STAKEHOLDER APPROACH

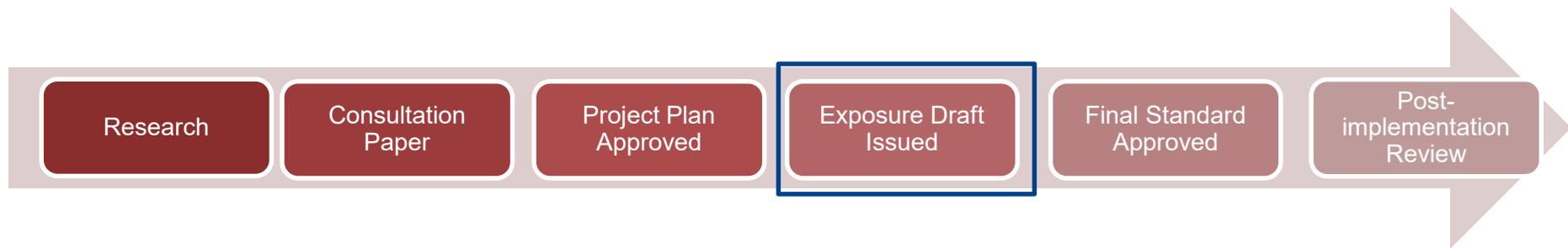


Going Concern

International Standard on Auditing (ISA) 570 (Revised), *Going Concern*

Status

- Exposure draft issued



For more information see [AASB Project Page](#)

Going Concern



Going Concern

Key changes proposed

1

Defining “material uncertainty (related to Going Concern)” and **clarifying** “significant doubt”

2

Enhancing risk identification and assessment procedures

3

Extending the timeline of management’s Going Concern assessment to 12 months from the financial statement approval date

4

Introducing **flexibility to address circumstances when management is unwilling to extend its Going Concern assessment**

5

Enhancing the evaluation of management’s Going Concern assessment

6

Enhancing transparency in the auditor’s report

Extending timeline over which Management's GC assessment is made

Extant	ED-ISA 570 (para. 21)
Request management to extend its GC assessment period to at least 12 months from the <u>date of the F/S</u> (if management's assessment covers less than 12 months from this date).	Request management to extend its GC assessment period to at least 12 months from the <u>date of approval of the F/S</u> (if management's assessment covers less than 12 months from this date).

Enhancing transparency in the auditor's report

Applicability	Going Concern Section	Material Uncertainty Related to Going Concern Section
All Entities	<p>State that the auditor:</p> <ul style="list-style-type: none"> • Concluded that management's use of the going concern basis of accounting is appropriate. • Based on the audit evidence obtained, has not identified a material uncertainty. 	<p>State that:</p> <ul style="list-style-type: none"> • The auditor concluded that management's use of the going concern basis of accounting is appropriate. • A material uncertainty exists. • The auditor's opinion is not modified in respect of the matter. <p>Include a reference to the related disclosure(s) in the F/S.</p>
Listed Entities	<p>In addition, if events or conditions have been identified (but no MURGC exists), include:</p> <ul style="list-style-type: none"> • A reference to the related disclosure(s) in the F/S, if any. • A description of how the auditor evaluated management's GC assessment. 	<p>In addition, if MURGC exists, include a description of how the auditor evaluated management's GC assessment.</p>

Going Concern

Tell us what you think of what's proposed!

Upcoming engagement opportunities will be available through our [project page](#)

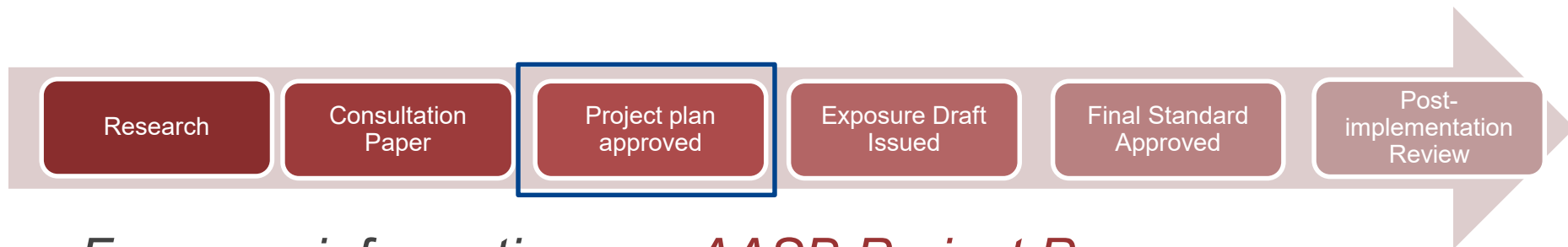
- **Online survey**
- **Webinars** – available in late June/early July
- **Virtual Roundtables**
- **Written response deadline** – end of July 2023

Fraud

International Standard on Auditing (ISA) 240 (Revised) *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*

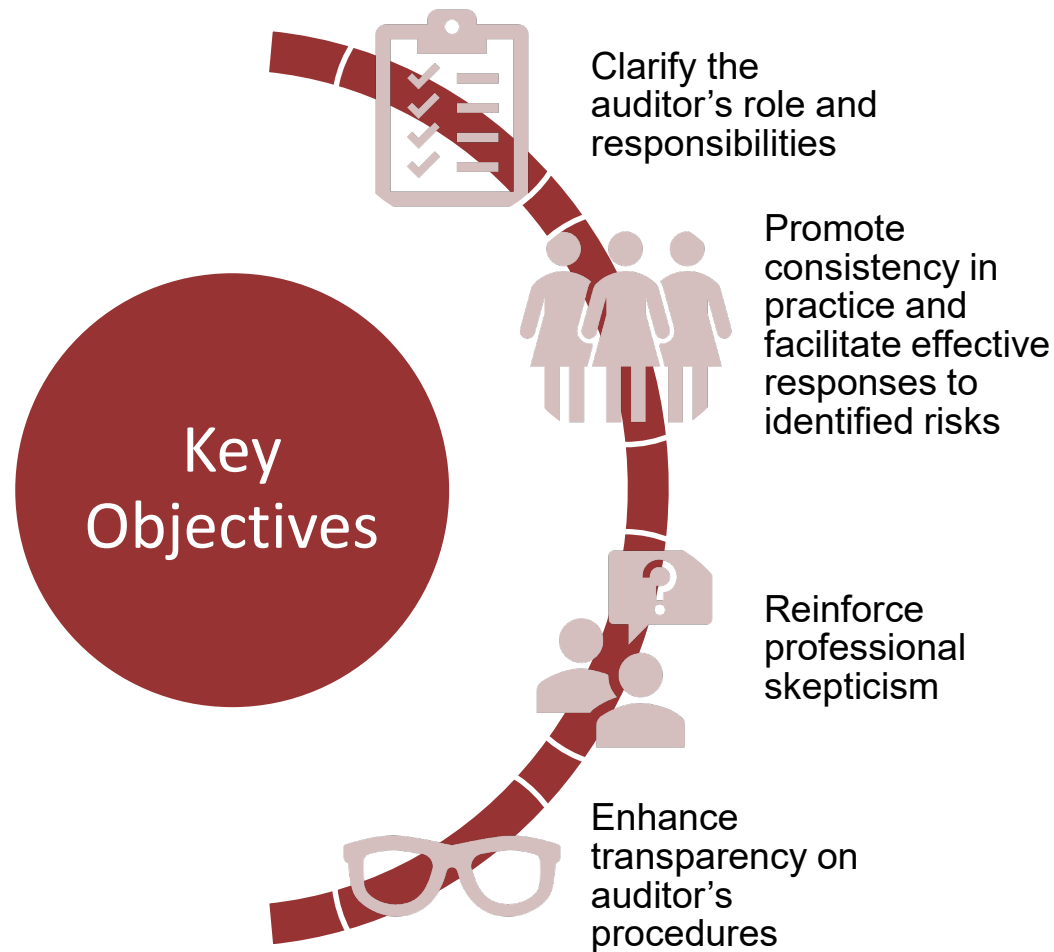
Status:

- Deliberating issues and developing an exposure draft.



For more information see [AASB Project Page](#)

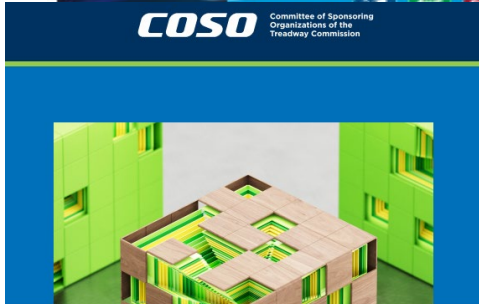
Fraud



Sustainability

The evolving landscape...

Office of the Superintendent of
Financial Institutions



**ACHIEVING EFFECTIVE INTERNAL CONTROL
OVER SUSTAINABILITY REPORTING (ICSR):**
Building Trust and Confidence through the
COSO Internal Control—Integrated Framework



Canadian Securities
Administrators

Autorités canadiennes
en valeurs mobilières




IFAC State of Play: Key Findings



3rd report - based on 2021 reporting

- Still a rapidly evolving market
- Reinforces IFAC Vision for High-Quality Assurance
- Supports evidence-based policy development
- “The Next 20” State of Play will expand scope of benchmarking beyond G20

IFAC State of Play: Key Findings

 Employ multiple standards and frameworks in reporting



When obtaining ESG assurance from a firm, 70% of entities used their statutory auditor



Reporting focuses on multi-stakeholder and societal matters



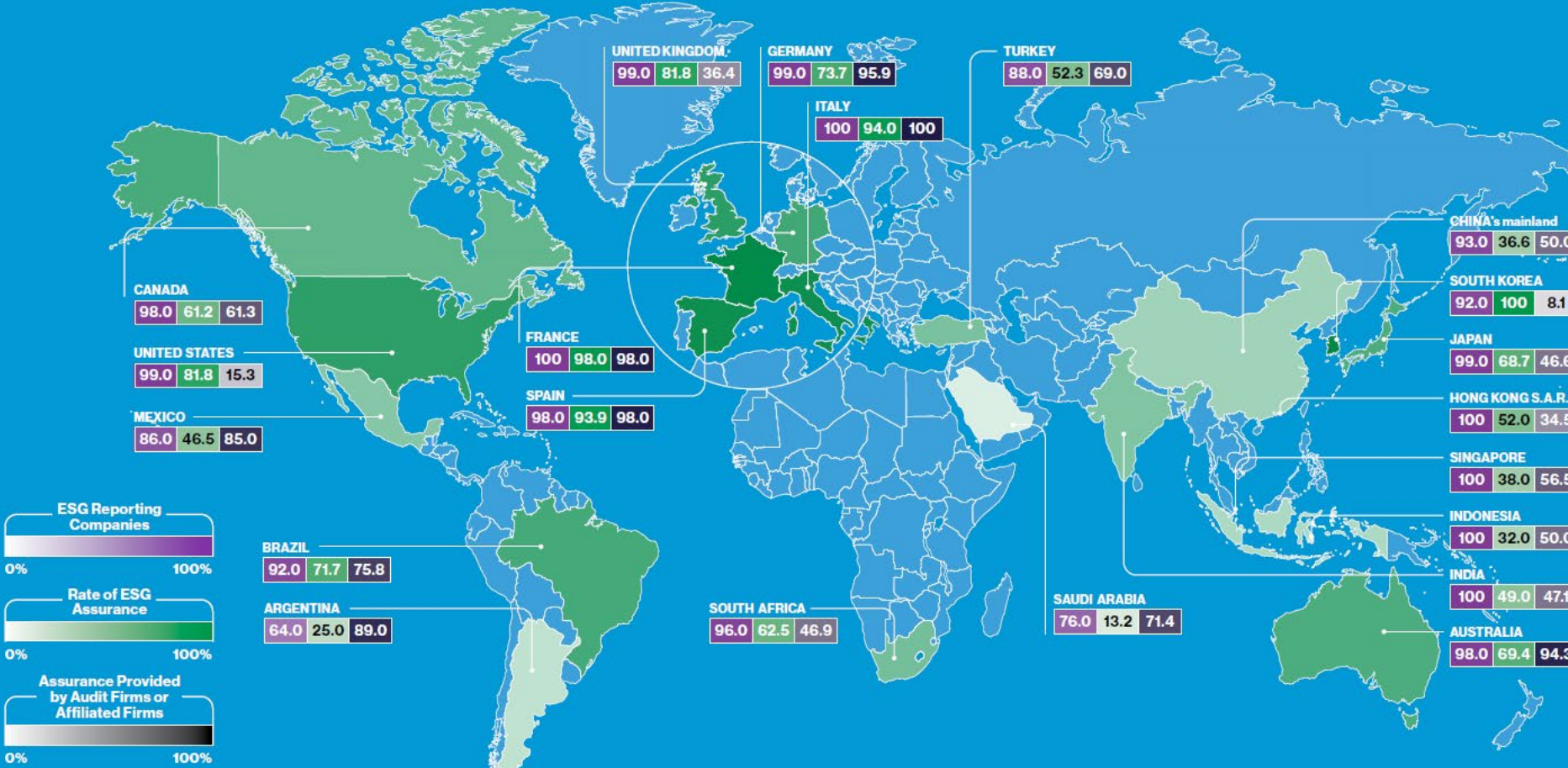
The rate of assurance has increased

Fewer companies are using stand-alone sustainability reports



“Assurance enhances trust and confidence in ESG information, and the systems and controls used to collect and report data. It also supports informed capital allocation decisions.” (IFAC)

Mapping Global Reporting and Assurance Practices



IFAC: Summary Changes in Assurance



ASSURED ESG INFORMATION

The percentage of companies that obtained assurance on some of their ESG reporting increased from:



ASSURANCE FROM AUDIT FIRMS

57%

- Of engagements were conducted by audit firms in 2021

61%

- Of engagements were conducted by audit firms in 2020

63%

- Of engagements were conducted by audit firms in 2019



ASSURANCE STANDARDS

The IAASB ISAE 3000 (Revised) remained the most widely used standard for ESG assurance engagements:



Sample Integrated Report: Petronas



Transcending. Next Level.



BASIS OF THIS REPORT

SECTION 1

- 2 Integrated Reporting Approach
- 3 Our Reporting Suite

BASIS OF THIS REPORT

Page 2

PCG AT A GLANCE

SECTION 2

- 4 2022 Key Highlights
- 6 Overview of PCG
 - Statement of Purpose
 - Vision
 - Shared Values
 - Our Strategy
- 7 What We Do
- 7 Our Strengths
- 8 Our Approach to Sustainability*
- 8 Index Representation*
- 8 Strategic Alliances*
- 9 Awards and Recognitions*
- 9 Three Decades of Our Journey*
- 10 Integrated Product Value Chain
- 12 Our Presence
- 14 Group Structure

PCG AT A GLANCE

Page 4

LEADERSHIP MESSAGES

SECTION 3

- 16 Chairman's Statement
- 20 MD/CEO's Review
- 26 CFO's Review

LEADERSHIP MESSAGES

Page 16

OUR PERFORMANCE

SECTION 4

30 SEGMENTAL REVIEW

- Basic Chemicals & Derivatives
- Specialty Chemicals

44 FINANCIAL REVIEW

- Simplified Group Statement of Financial Position
- Analysis on Financial Position
- Analysis on Consolidated Statement of Profit or Loss
- Analysis on Cash Flows
- Reporting by Geographical Location
- Group Quarterly Performance
- Key Interest Bearing Assets and Liabilities
- 5-Year Group Financial Summary
- 5-Year Group Financial Highlights
- Statement of Value Added

53 SUSTAINABILITY REVIEW

- Sustainability Strategy
- Sustainability Scorecard

Days Between Statutory Audit and ESG Assurance

120

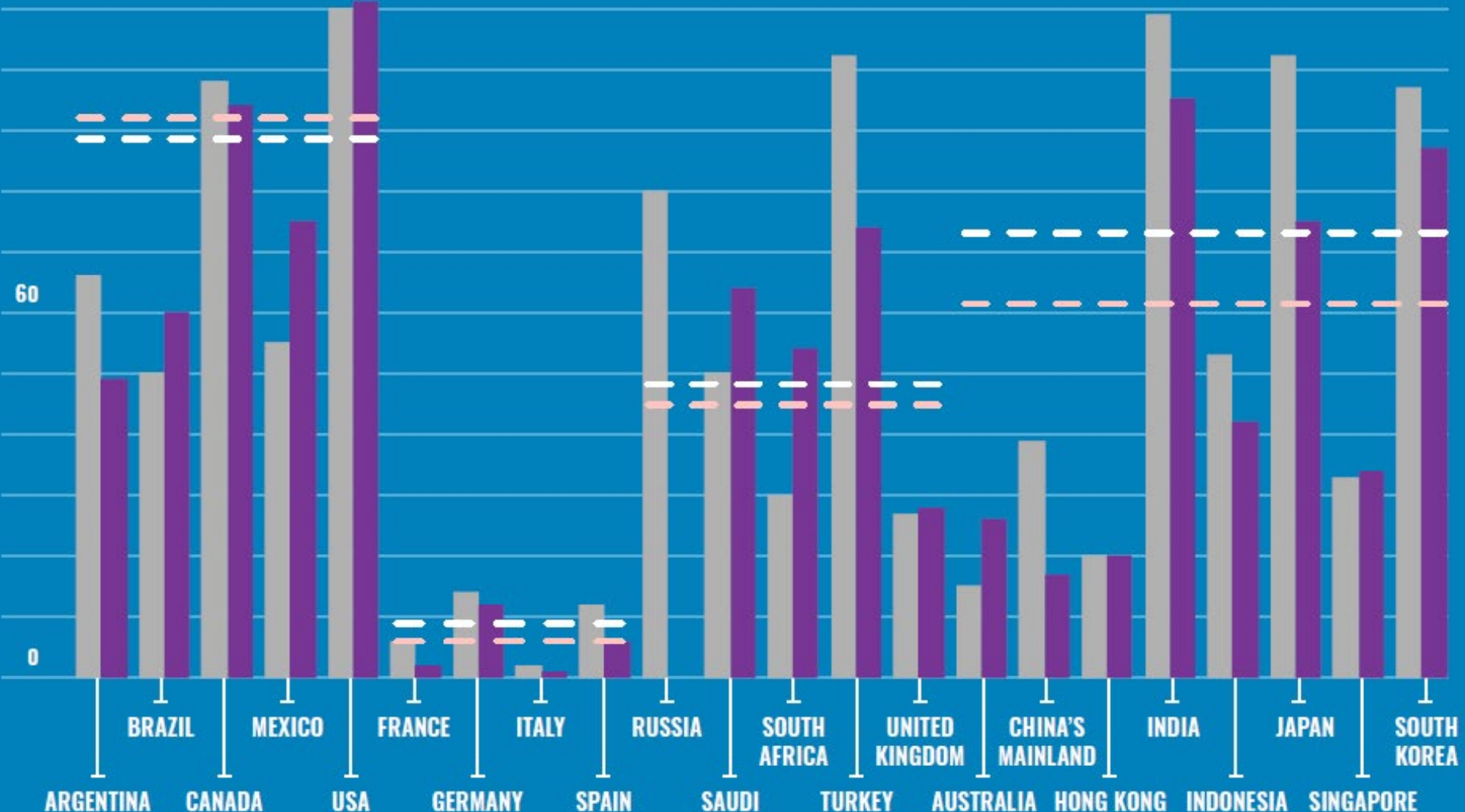
AMERICAS

EUROPEAN UNION

OTHER EMEA

ASIA-PACIFIC

2020 2021

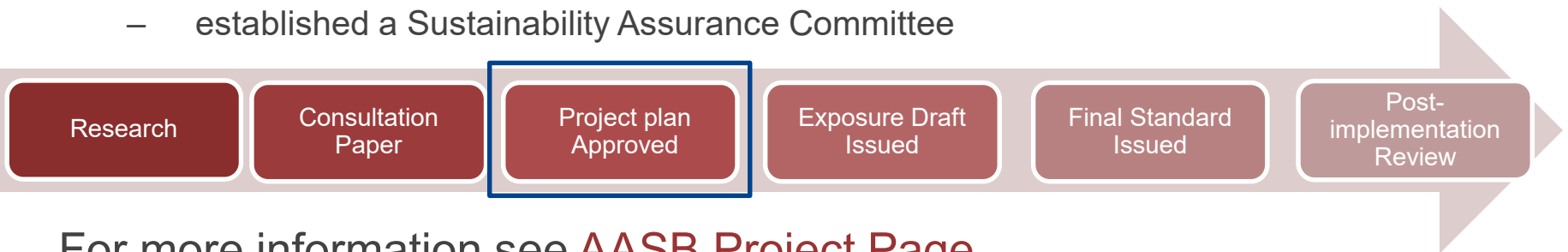


Sustainability Assurance

The IAASB is developing a new overarching standard for assurance on sustainability reporting (ex. International Standard on Sustainability Assurance (ISSA) 5000)

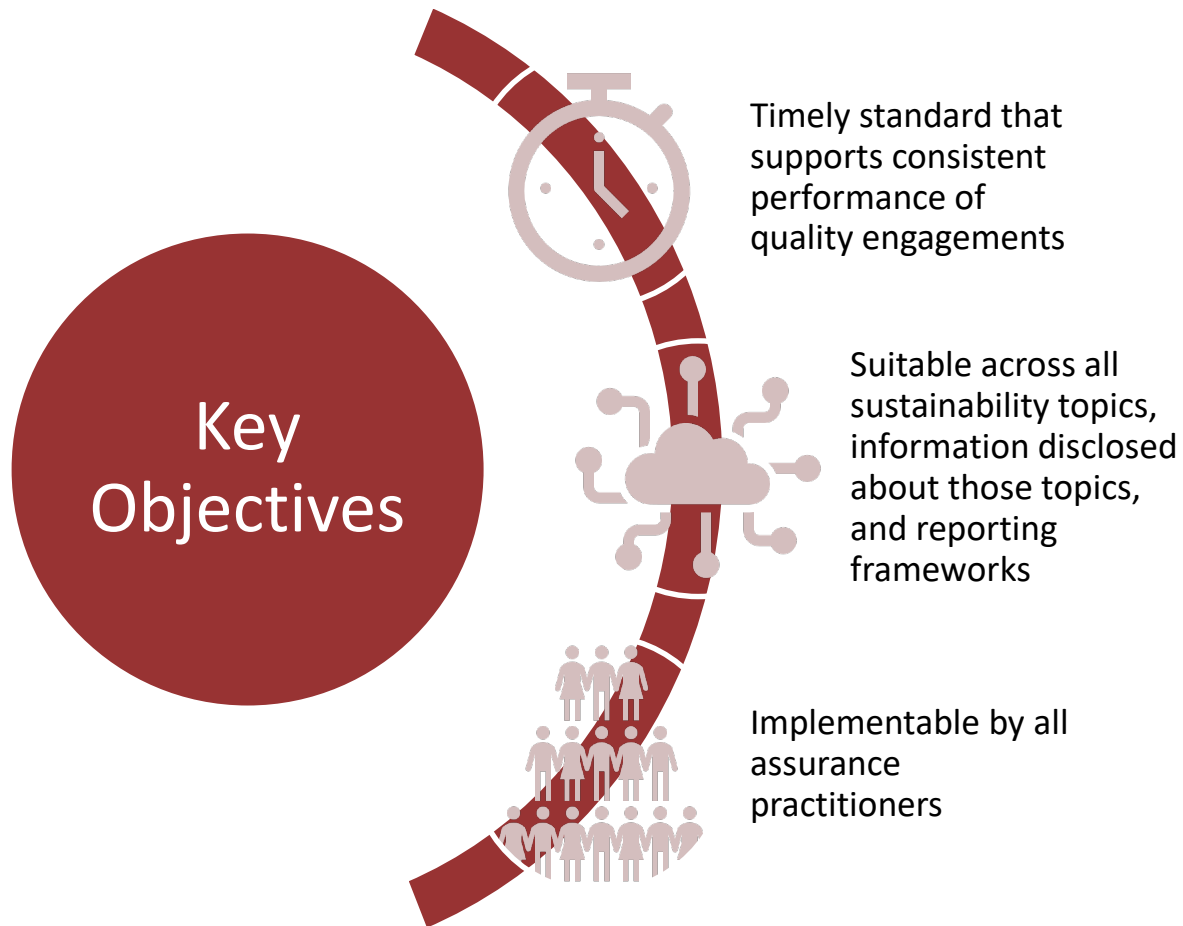
Status

- The IAASB approved a project proposal in September 2022
- The AASB has:
 - in January 2023, approved a project proposal to adopt ISSA 5000 concurrently in Canada; and
 - established a Sustainability Assurance Committee



For more information see [AASB Project Page](#)

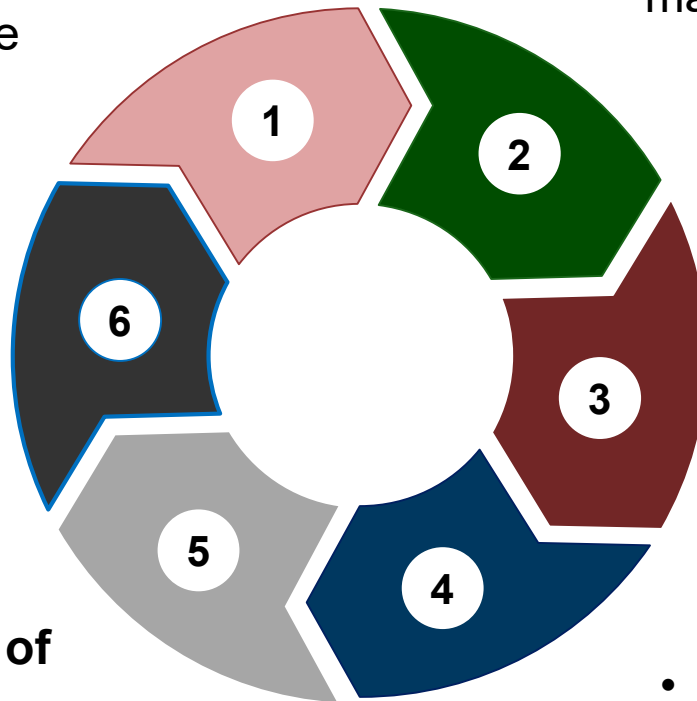
Sustainability Assurance



Sustainability Assurance

Priority areas for specificity

- **Difference in work effort** between limited and reasonable assurance
- **Materiality** in the context of the assurance engagement
- **The entity's system of internal control**
- **Suitability of the reporting criteria**, including “double materiality”
- **Scope** of the assurance engagement
- **Evidence**, including the reliability of information



Sustainability Assurance

Timeline

June 2023

- IAASB approve Exposure Draft

September 2024

- IAASB approve final standard

December 2026

- **Anticipated effective date**
Periods beginning on or after December 15, 2026

Technology – Audit Evidence

The evolving landscape...

Office of the Superintendent of Financial Institutions

Canada

Financial Institutions Private Pension Plans Office of the Chief Actuary About OSFI COVID-19 Updates

Home > OSFI > Reports and Accountability > Financial Industry Forum on Artificial Intelligence: A Canadian Perspective on Responsible AI

About Us
Our History
Mandate

Financial Industry Forum on Artificial Intelligence: A Canadian Perspective on Responsible AI

THE GLOBE AND MAIL

THE GLOBE CANADA WORLD BUSINESS INVESTING WATCHLIST PERSONAL FINANCE OPINION POLITICS SPORTS

Canadian AI experts issue letter in support of draft law aimed at curbing technology's risks

JOE CASTALDO >
PUBLISHED APRIL 18, 2023

KPMG in Canada and global innovation leader MindBridge bring responsible AI to audits around the globe



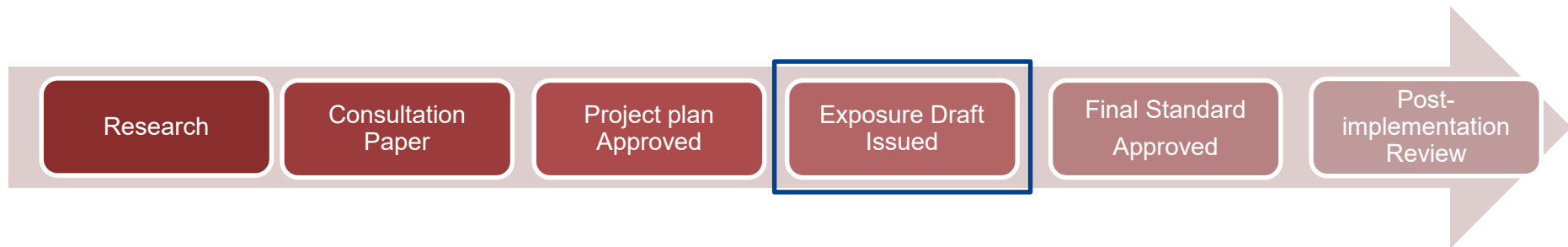
Chat GPT

Audit Evidence

International Standard on Auditing (ISA) 500 (Revised), *Audit Evidence*

Status:

- IAASB's exposure period ended on April 24, 2023.
- AASB comment letter submitted
 - *Incorporated feedback from Roundtables, Special purpose meetings, and field testing*



For more information see [AASB Project Page](#)

Audit Evidence

Key changes proposed

1

clarifying purpose and scope

2

principles-based approach to technology

3

emphasizing importance of professional skepticism

4

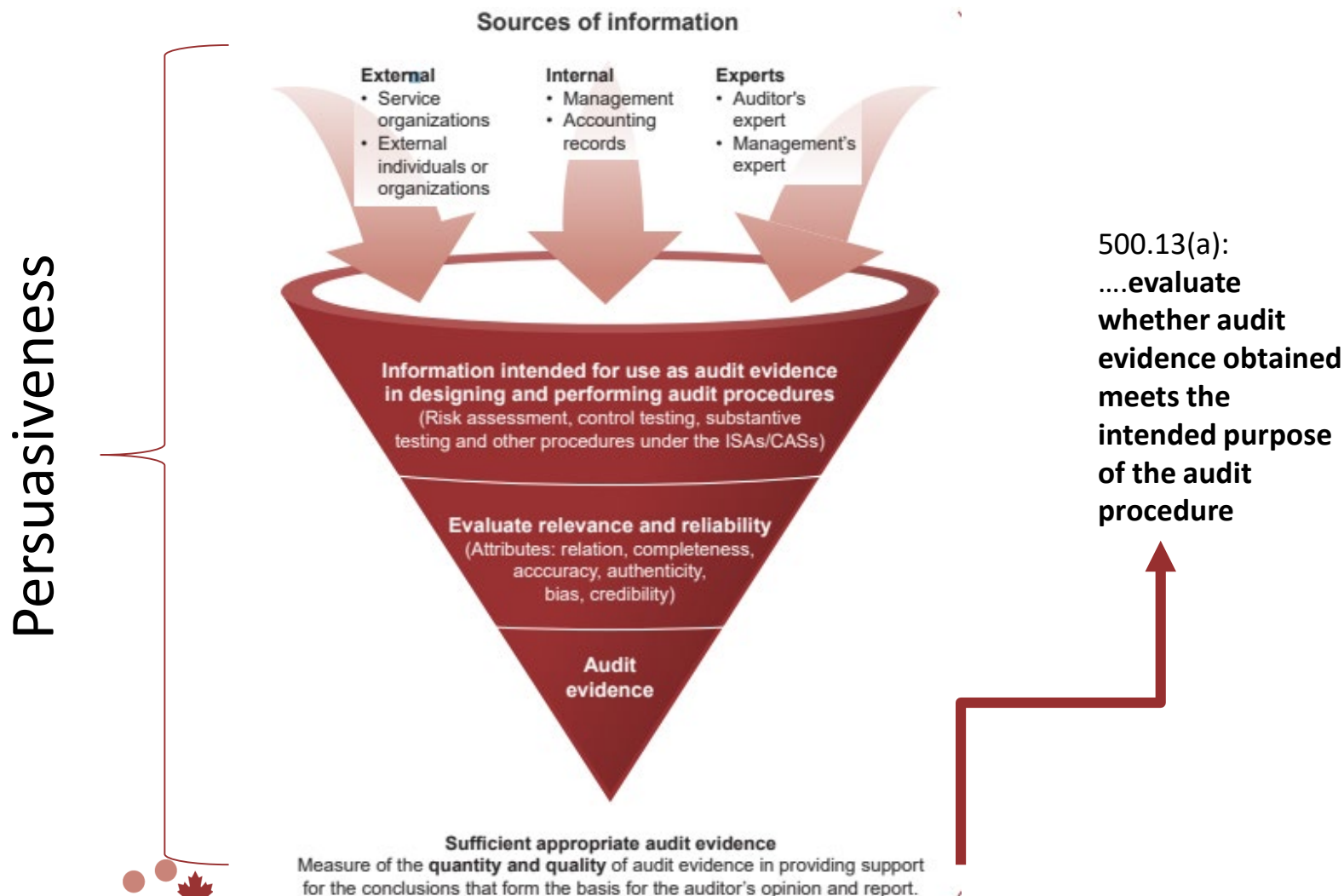
audit evidence definition using the “input-output” model

5

interrelationship of sufficiency, appropriateness and persuasiveness

Audit Evidence

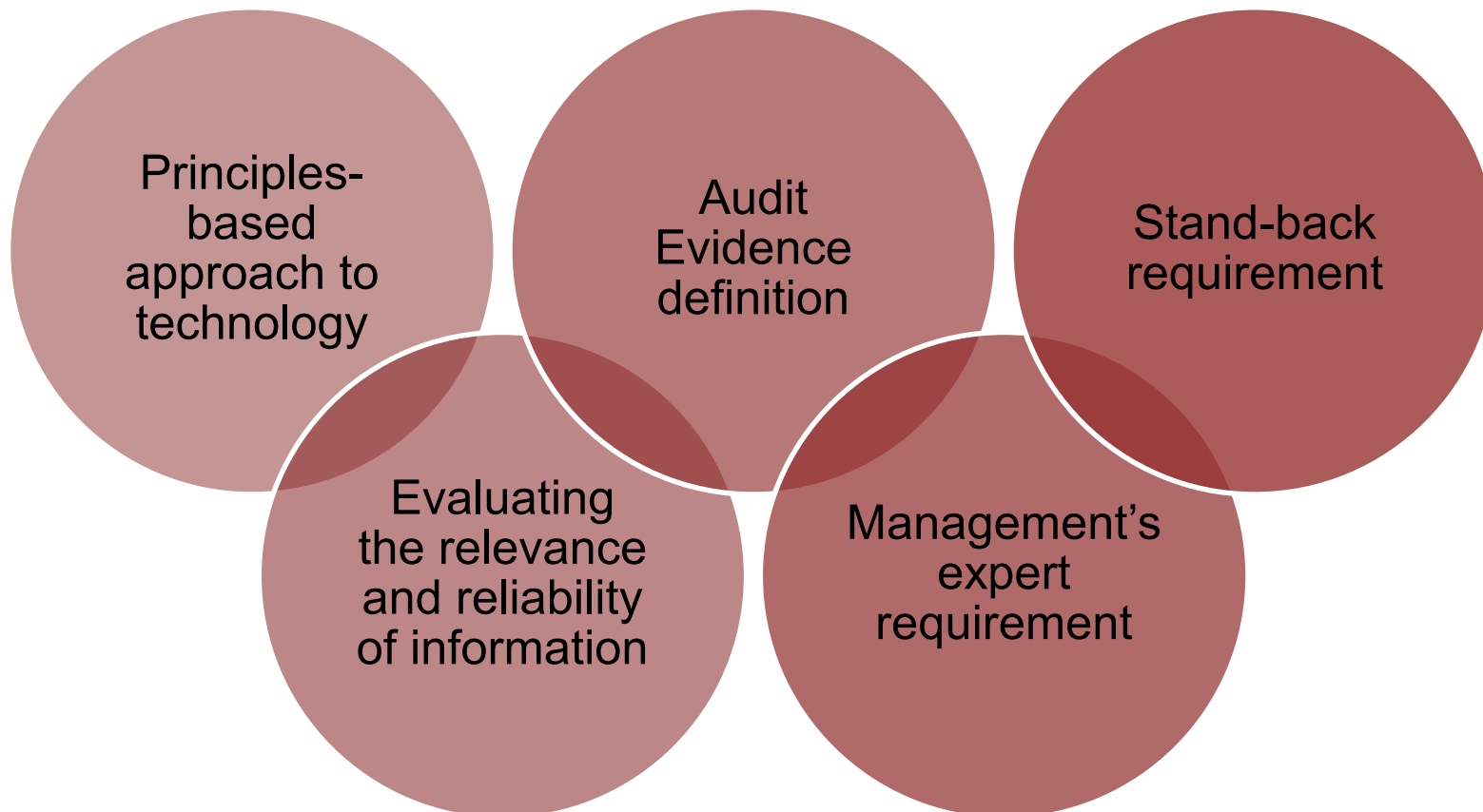
How do the proposed requirements fit together?



Audit Evidence

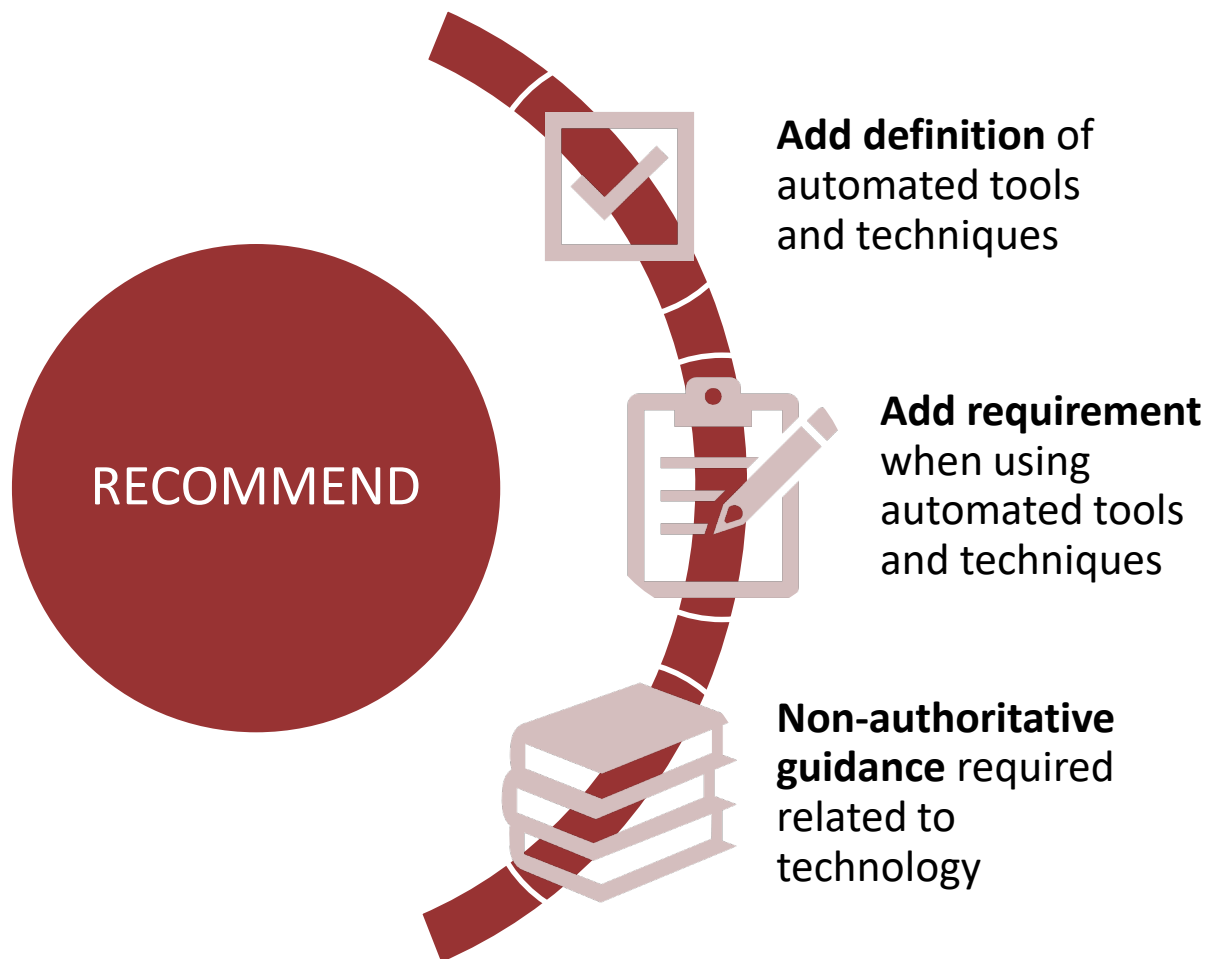
Canadian feedback on ED

SUPPORT for...



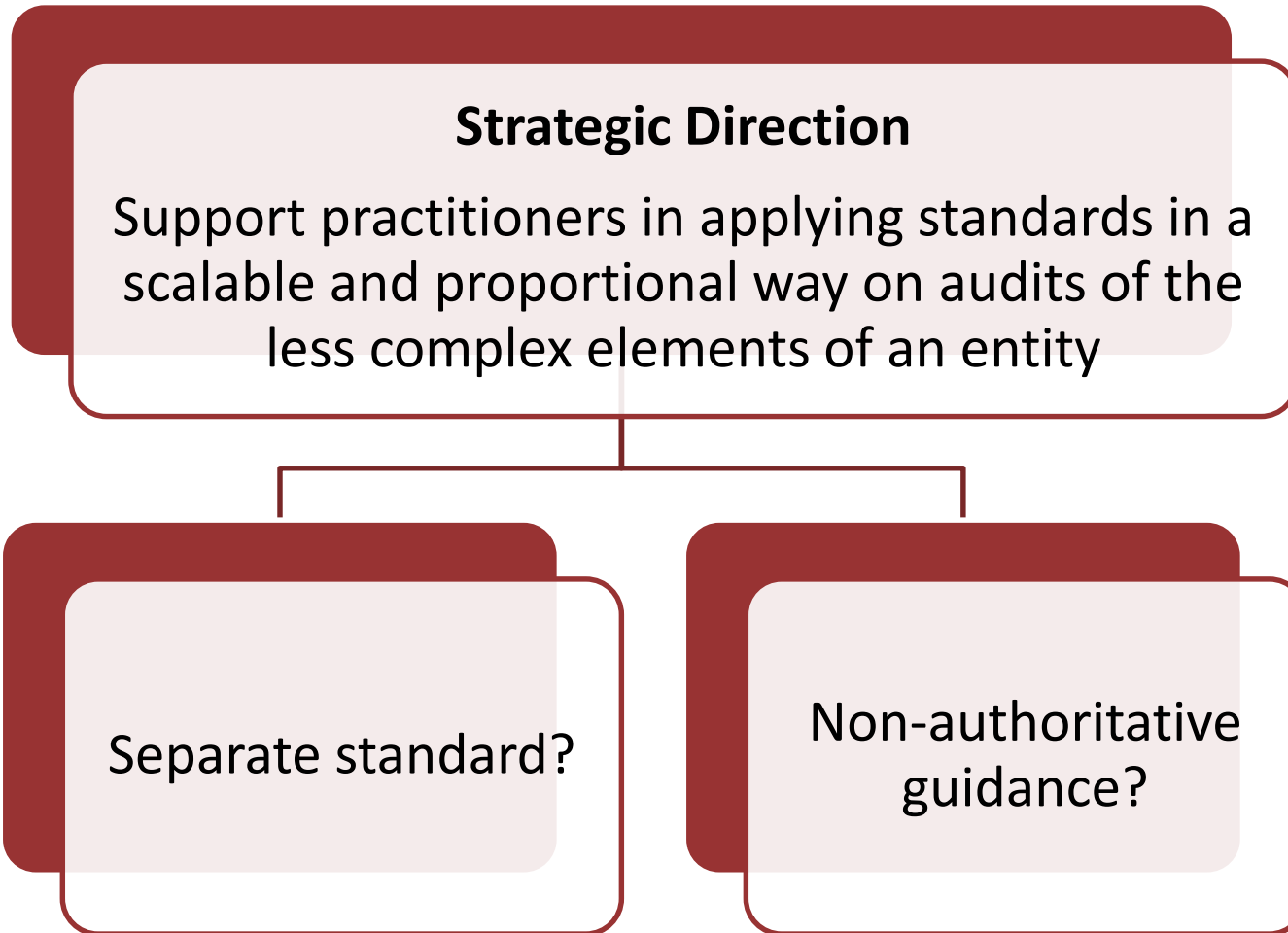
Audit Evidence

Canadian feedback on ED Cont'd



Other Strategic Initiatives

Audits of Less Complex Entities



Questions?



- Are there any emerging issues you believe the AASB should consider in its standard-setting activities?
- Are there any audit and assurance standards that you believe need revisions, and why?
- Are there ways we can better facilitate your participation in the standard-setting process?

Stay up to date

For more information, visit www.frascanada.ca

