

2. SECTION I: ABOUT THE RESPONDENT

1. From which perspective are you providing this feedback?

The view of an organization

Please complete:

Your name:

Your organization (if applicable):

E-mail address:

Please complete:

Organization:

Auditing and Assurance Standards Board of Canada (AASB)

Name(s) of contact(s) for this submission:

Karen DeGiobbi, Director, Audit and Assurance Standards

E-mail address(es) of contact(s):

kdegiobbi@asbcanada.ca

2. Please select from the following options to which stakeholder group you or your organization belongs:

Jurisdictional Standard Setter (JSS) or Other Standard Setter

Please specify the type of accounting firm:

Please specify:

Please specify:

Please specify:

JSS for Auditing and Assurance only

Please specify:

3. Please select from the following options the geographical region that best matches you or your organization:

3. Please select from the following options the geographical region that best matches you or your organization:

North America

4. SECTION III: SSBs' STRATEGIC POSITIONING FOR 2028–2031

4. As the SSBs look toward the 2028–2031 period, they are reflecting on how to position their strategies and work plans to best serve the public interest within a rapidly changing global environment. This involves careful consideration of how the SSBs remain relevant, responsive, and impactful in their standard-setting and other related work. In that context, what do you believe the SSBs should aspire to achieve during their next strategy period, 2028–2031?

Your answer may touch on different dimensions, for example:

The relevance, responsiveness and impact of the SSBs' standard-setting and related activities.

Broader adoption and effective implementation of the SSBs' standards.

The SSBs' interaction and engagement with key stakeholder groups.

The SSBs' ability to serve the public interest.

The examples above are for illustrative purposes only and should not limit, direct, or otherwise influence your response.

Your answer should address the IAASB and IESBA collectively; however, you may wish to also highlight matters specifically for the IAASB or IESBA (if applicable, you could use separate headings to address such matters).

We support the SSBs' focus in their next strategy period on standard setting and related activities that are relevant, responsive, and impactful, with the ultimate aspiration of supporting global adoption of international standards.

From the perspective of a jurisdictional standard setter, and informed by our ongoing engagement with interested and affected parties in Canada, we see several risks to the SSBs' continued relevance and responsiveness—and, ultimately, to global adoption and serving the public interest:

- Increasing complexity of standards and perceived imbalanced focus on serving a narrower group of entities. Over the past decade, standards have increased significantly in complexity, with a perceived emphasis on serving the needs of larger and more complex entities. This has created growing application challenges, particularly for SMPs and engagements for smaller entities, and risks undermining the accessibility and scalability of the standards.

o To mitigate, in the next strategy period it is important that the SSBs ensure:

Balanced and inclusive engagement, ensuring broad and diverse input from all key groups, including increased engagement with SMPs, without disproportionate influence by any single group.

A focus on reduced complexity and enhanced scalability, including greater emphasis on simplification and on supporting the application of professional judgment across entities and engagements of varying size and complexity.

• Responding to the pace of technological change. Technology is evolving rapidly and, in our view, represents the most significant trend affecting the SSBs over the next strategy period. If standards and related standard-setting activities do not adapt in a timely manner, there is a risk to their continued relevance.

o To mitigate, the SSBs should ensure their processes support:

Agility and responsiveness, maintaining flexibility in the standard-setting process to enable SSBs to adapt to emerging developments and evolving needs in a timely manner.

• Current approach to coordination between the SSB's standards and standard-setting activities. We recognize and support increased coordination between the SSBs. However, given the IAASB standards are more widely adopted across jurisdictions than the IESBA code, revising IAASB standards solely in response to changes in the IESBA Code may hinder the continued adoption of IAASB standards in some jurisdictions.

o To mitigate, the SSBs should:

Focus on interoperability rather than alignment, maintaining coordination where it adds clear value (for example, outreach and engagement), while remaining mindful of the adoption implications of standard revisions.

Remain open to alternative approaches to interoperability, such as the development of non authoritative materials, where these may achieve the same objectives without creating barriers to adoption.

Responding to these risks to the SSBs' relevance, by focusing on appropriate mitigation activities, will be essential to ensuring continued global adoption of the SSBs' standards.

6. SECTION IV: KEY TRENDS IMPACTING THE SSBs

A.1 Digital Transformation – Increasing Use of Emerging Technologies

6 – Strongly increasing in importance

Please explain why you do not believe this should be considered a relevant trend for the SSBs:

Do you wish to highlight any matters relating to this trend or identified impacts, or any additional impacts, for the IAASB or IESBA or both the SSBs?

• Supporting the application of professional judgment: Increasing use of complex technologies by both entities and auditors provides an opportunity but may also increase the risk of undue reliance on system outputs. There is a need for clear guidance and standards to support appropriate professional judgement and professional skepticism.

• Divergent adoption maturity: Larger firms may have the resources to adopt new technologies more rapidly than SMPs. Any consideration of standard-setting related to technology needs to be scalable, supporting application across different levels of technological use.

• Emergence of AI assurance services: Demand for AI assurance engagements is increasing. Internationally developed principles-based standards or guidance may be needed to support this emerging assurance service.

A.2 Digital Transformation – Digital Assets and Institutionalization of Digital Assets

5 – Increasing in importance

Please explain why you do not believe this should be considered a relevant trend for the SSBs:

Do you wish to highlight any matters relating to this trend or identified impacts, or any additional impacts, for the IAASB or IESBA or both the SSBs?

- Rapid increase in adoption by entities: Recent data from large firms indicates a significant and rapid increase in the use of cryptocurrencies for both investment and transactional purposes over the next two years. This trend increases the likelihood that digital assets will become more prevalent in audit engagements, underscoring the need for timely and scalable audit guidance.
- Stablecoin Regulation: Rising stablecoin adoption has prompted the introduction of federal regulations (e.g., U.S. Stablecoins GENIUS Act), emphasizing the need for clear audit guidance on auditing stablecoin holdings and transactions.

A.3 Digital Transformation – Financial Crimes Enabled by Technology

5 – Increasing in importance

Please explain why you do not believe this should be considered a relevant trend for the SSBs:

Do you wish to highlight any matters relating to this trend or identified impacts, or any additional impacts, for the IAASB or IESBA or both the SSBs?

- Focus on integrity and security: Fraud financial crime, and cyber security are top concerns across most entities in Canada and globally. For example, in the financial sector:
 - o the Office of the Superintendent of Financial Institutions (OSFI) identified "Integrity and security risk" as its leading priority for 2025–26 [<https://www.osfi-bsif.gc.ca/en/about-osfi/reports-publications/osfis-annual-risk-outlook-fiscal-year-2025-2026>], as heightened geopolitical tensions, rapid technological advancements, and increased reliance on a complex network of third parties have created vulnerabilities to the integrity and security of Canadian institutions and the financial system.
 - o The Canadian government is advancing a national Anti-Fraud Strategy and new Financial Crimes Agency, highlighting the growing importance of sovereign AI capabilities and their interconnection with banking obligations. These developments underscore the increasing interdependence between technology, financial institutions, and regulatory oversight in addressing technology-enabled fraud risks and protecting financial system users.

7. SECTION IV: KEY TRENDS IMPACTING THE SSBs

B.1 Changes in the Geopolitical and Regulatory Landscape – Regulatory Changes

4 – Slightly increasing in importance

Please explain why you do not believe this should be considered a relevant trend for the SSBs:

Do you wish to highlight any matters relating to this trend or identified impacts, or any additional impacts, for the IAASB or IESBA or both the SSBs?

- While there are certain initiatives aimed at reducing regulatory burden - for example, see our response to C2 and the Canadian Securities Administrators (CSAs) recent Prospectus and disclosure blanket order aimed at increasing flexibility and reducing regulatory burdens for both existing reporting issuers and companies pursuing an initial public offering in Canada - in general, regulatory requirements continue to increase in importance.
- Examples of ongoing regulatory expansion:
 - o Regulatory requirements continue to expand in emerging areas such as artificial intelligence, privacy, digital markets, and

supply chain security.

o The Canadian Public Accountability Board (CPAB), Canada's public company audit regulator, recently implemented rule and legislative amendments to increase transparency [<https://cpab-ccrc.ca/who-we-are/media/2025/03/24/2025-release-disclosures-phase-2-en>], including the mandatory reporting of file-specific inspection results to audit committees and permitting CPAB to publish individual firm inspection reports

B.2 Changes in the Geopolitical and Regulatory Landscape – Risk of Fragmentation

4 – Slightly increasing in importance

Please explain why you do not believe this should be considered a relevant trend for the SSBs:

Do you wish to highlight any matters relating to this trend or identified impacts, or any additional impacts, for the IAASB or IESBA or both the SSBs?

• Scalability and proportionality of International Standards: Continued emphasis on scalability and proportionality within the international standards is critical to enhance applicability for SMPs. This consideration is particularly relevant in the Canadian context, which is characterized by a high prevalence of small and micro-businesses in the private sector, not-for-profit, and public sector entities.

B.3 Changes in the Geopolitical and Regulatory Landscape – Call for Greater Agility in Standard Setting

6 – Strongly increasing in importance

Please explain why you do not believe this should be considered a relevant trend for the SSBs:

Do you wish to highlight any matters relating to this trend or identified impacts, or any additional impacts, for the IAASB or IESBA or both the SSBs?

• The increasing pace of technological change (highlighted in our response to Section A) reinforces the need for greater agility in standard setting. Without timely adaptation, standards and related standard-setting activities risk losing relevance. Maintaining flexibility and responsiveness in the standard-setting process will enable SSBs to adapt to emerging developments and evolving needs in a timely manner.

B.4 Changes in the Geopolitical and Regulatory Landscape – Greater Diversity of Voices Sought

5 – Increasing in importance

Please explain why you do not believe this should be considered a relevant trend for the SSBs:

Do you wish to highlight any matters relating to this trend or identified impacts, or any additional impacts, for the IAASB or IESBA or both the SSBs?

- Broader engagement: The growing risk of increasingly complex standards and a perceived imbalanced focus on serving a narrower group of entities highlights the need for balanced and inclusive engagement. Prioritizing broad and diverse input from all key groups, including increased engagement with SMPs, without disproportionate influence by any single group, will help mitigate this risk.

8. SECTION IV: KEY TRENDS IMPACTING THE SSBs

C.1 Evolving Expectations Concerning Sustainability Information – Continuing Demand for Sustainability Reporting and Assurance

3 – Slightly decreasing in importance

Please explain why you do not believe this should be considered a relevant trend for the SSBs:

Do you wish to highlight any matters relating to this trend or identified impacts, or any additional impacts, for the IAASB or IESBA or both the SSBs?

- Demand for sustainability reporting and assurance varies by sector, with notable differences between the private and public sectors.
 - o In the private sector, some jurisdictions are shifting toward reducing regulatory burdens, particularly in sustainability reporting and assurance. For example, in Canada, The Canadian Securities Administrators (CSA) has announced that it has paused further work on the development of a mandatory climate-related disclosure rule.
 - o However, within the public sector, the importance of sustainability reporting continues to increase in importance, driven by heightened accountability expectations, public policy objectives, and public scrutiny.

C.2 Evolving Expectations Concerning Sustainability Information – Regulatory and Geopolitical Changes

3 – Slightly decreasing in importance

Please explain why you do not believe this should be considered a relevant trend for the SSBs:

Do you wish to highlight any matters relating to this trend or identified impacts, or any additional impacts, for the IAASB or IESBA or both the SSBs?

- Evolving and divergent regulatory environments: As highlighted in our response to C.1, the sustainability regulatory and geopolitical environments diverge between the private and public sectors in Canada. In the private sector, there has been reduced sustainability regulatory activity. For example, the Canadian Securities Administrators (CSA) recent pause on further work on the development of a mandatory climate-related disclosure rule [<https://www.osc.ca/en/news-events/news/csa-issues-market-update-climate-related-disclosure-project>]. In contrast, in the public sector, regulatory focus and consequently demand are on the rise.

9. SECTION IV: KEY TRENDS IMPACTING THE SSBs

D.1 Evolving Structure and Business Models of Accounting Firms – Alternative

Ownership Structures

4 – Slightly increasing in importance

Please explain why you do not believe this should be considered a relevant trend for the SSBs:

Do you wish to highlight any matters relating to this trend or identified impacts, or any additional impacts, for the IAASB or IESBA or both the SSBs?

- Private equity investment in accounting firms: This global trend, highlighted in the IESBA Staff Alert, Private Equity Investment in Accounting Firms and Related Ethical and Independence Considerations, private equity investment in accounting and auditing firms has increased significantly over the past five years. This trend has raised concerns that such investors may prioritize short-term profitability and cost-reduction strategies, including workforce reductions. These actions could adversely affect audit quality and compromise firms' ability to uphold their ethical and independence obligations in pursuit of new revenue goals.

D.2 Evolving Structure and Business Models of Accounting Firms – Increased Involvement of Non-Professional Accountants in the Accounting and Auditing Profession

5 – Increasing in importance

Please explain why you do not believe this should be considered a relevant trend for the SSBs:

Do you wish to highlight any matters relating to this trend or identified impacts, or any additional impacts, for the IAASB or IESBA or both the SSBs?

- Impact of CPA talent shortages: The increasing involvement of non-professional accountants is, in part, a response to ongoing shortages of CPAs, leading firms to diversify their workforce composition
- Expanding use of specialists and experts: As technology plays a more significant role in entities and in audit engagements, firms are increasingly relying on specialist and subject matter experts.
- Reduced or evolving regulation: In areas where regulation is limited or still developing, such as sustainability reporting, a broader range of service providers may enter the market, potentially increasing competition and encouraging some entities to seek lower-cost service options.

D.3 Evolving Structure and Business Models of Accounting Firms – Challenges to Attracting and Retaining Talent

5 – Increasing in importance

Please explain why you do not believe this should be considered a relevant trend for the SSBs:

Do you wish to highlight any matters relating to this trend or identified impacts, or any additional impacts, for the IAASB or IESBA or both the SSBs?

- Competency and Upskilling: Rapid technological change and evolving workforce demographics are creating competency and capacity challenges across the profession. Firms are increasingly focusing on upskilling and guidance to ensure staff can apply

professional judgment effectively while using technology-enabled tools.

- Talent Retention and Workforce Attractiveness: Attracting and retaining skilled professionals remains a key challenge, intensified by talent shortages and competitive labour markets.

D.4 Evolving Structure and Business Models of Accounting Firms – Non-Assurance Service Line

4 – Slightly increasing in importance

Please explain why you do not believe this should be considered a relevant trend for the SSBs:

Do you wish to highlight any matters relating to this trend or identified impacts, or any additional impacts, for the IAASB or IESBA or both the SSBs?

- Service Diversification: Firms continue to expand beyond traditional service offerings (e.g., tax, bookkeeping and other finance-oriented services) into areas such as HR, legal, technology, and sustainability. While this shift reflects evolving client needs, delivering services outside core competencies may introduce quality risks related to insufficient subject-matter expertise. Additionally, providing non-assurance services to assurance clients can give rise to independence threats and potential conflicts of interest.

10. SECTION IV: KEY TRENDS IMPACTING THE SSBs - OTHER TRENDS AND RANKING

6. Are there trends or related areas or matters that you believe the SSBs should consider that are not covered? If so, please provide details.

No

Additional trends

Please number your additional trend (O.1, O.2, O.3, ...)

Please describe the additional trend

On a scale of 1 to 6, indicate the extent to which you believe this trend will increase or decrease in importance for the SSBs for their next strategy period starting in 2028.

Do you wish to explain your rating or highlight any matters relating to this trend for the IAASB, IESBA, or both the SSBs?

7. Based on your evaluation of the identified trends, please rank what you believe are the TOP FIVE most important trends for the SSBs to consider for their next

strategy period starting in 2028.

Rank 1 : A.1 Digital Transformation – Increasing Use of Emerging Technologies

Rank 2 : B.3 Changes in the Geopolitical and Regulatory Landscape – Call for Greater Agility in Standard Setting

Rank 3 : B.4 Changes in the Geopolitical and Regulatory Landscape – Greater Diversity of Voices Sought

Rank 4 : D.3 Evolving Structure and Business Models of Accounting Firms – Challenges to Attracting and Retaining Talent

Rank 5 : A.3 Financial Crimes Enabled by Technology

11. SECTION V: AREAS FOR JOINT ACTIONS IN SSBs' WORK PLANS

8. Please share your views about areas of common interest and possible joint or parallel work plan topics (e.g., standard-setting or non-authoritative materials), or other initiatives or activities.

Digital Transformation

- Development of non-authoritative materials to support practitioners in applying existing assurance and ethical requirements in rapidly evolving technological environments
- Guidance to support appropriate use of professional judgement and professional skepticism, including mitigating the risk of undue reliance on outputs from complex systems (e.g. AI and automated tools)

Scalability of Standards

- Continued emphasis on scalability, supported by illustrative guidance and practical examples to demonstrate the scalable application of standards, particularly for SMPs and engagements on smaller, less complex entities.

Financial Crimes Enabled by Technology

- Exploring the need for guidance to support practitioners in identifying and responding to emerging and evolving financial crime risks enabled by technology across a broad range of entities.