

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

**AUDITING, ATTESTATION AND QUALITY CONTROL STANDARDS
SETTING ACTIVITIES**

OPERATING POLICIES

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AUDITING, ATTESTATION AND QUALITY CONTROL STANDARDS SETTING ACTIVITIES OPERATING POLICIES

INTRODUCTION

This document summarizes the responsibilities, authority, and structure of the Auditing Standards Board (ASB) of the American Institute of Certified Public Accountants (AICPA) and of the principal AICPA staff assigned to support the auditing, attestation, and quality control standards setting activities of the AICPA. These operating policies are designed to facilitate the timely, thorough and open study and deliberation of the continuing development of auditing, attestation, and quality control standards. Additional detailed procedures may be developed by the ASB and AICPA staff to implement the broad policies outlined herein. All references to committees and staff are to AICPA committees and staff unless otherwise noted.

DESCRIPTION OF THE AUDITING STANDARDS BOARD

The ASB was formed in October 1978¹ and is responsible for the promulgation of auditing and attestation standards and procedures to be observed by members of the AICPA in accordance with the Institute's Bylaws and *Code of Professional Conduct*.

The ASB is the senior committee of the AICPA designated to issue auditing, attestation, and quality control standards and practice guidance for performing and reporting on audit and attestation engagements for nonissuers². It is authorized to make public statements on matters relating to auditing, attestation, and quality control standards for nonissuers without clearance from Council or the Board of Directors. Council has designated the ASB as a body to establish auditing, attestation, and quality control standards and procedures for entities not included within the resolution for the Public Company Accounting Oversight Board. Rule 202 of the AICPA

¹ See Appendix A for a historical background of the Auditing Standards Board including how its authority was modified as a result of the Sarbanes Oxley Act of 2002.

² The term "issuer" means an issuer (as defined in section 3 of the Securities Exchange Act of 1934 (15 U.S.C. 78c)), the securities of which are registered under section 12 of that Act (15 U.S.C. 78l), or that is required to file reports under section 15(d) (15 U.S.C. 78o(d)), or that files or has filed a registration statement that has not yet become effective under the Securities Act of 1933 (15 U.S.C. 77a et seq.), and that it has not withdrawn. A nonissuer refers to any entity not subject to the Sarbanes Oxley Act or the rules of the SEC.

Code of Professional Conduct requires AICPA members who perform professional services to comply with standards promulgated by bodies designated by Council. Council resolved that any committee or board authorized by the Council to issue enforceable standards under rules 201 and 202 must observe an exposure process seeking comment from other affected committees and boards, as well as the general membership.

THE MISSION OF THE AUDITING STANDARDS BOARD

The mission of the ASB is to serve the public interest by developing, updating and communicating comprehensive standards and practice guidance that enable practitioners to provide high-quality, objective audit and attestation services to nonissuers in an effective and efficient manner.

The ASB accomplishes this mission by (1) developing auditing, attestation, and quality control standards that inspire public trust, (2) contributing to the development of high quality international auditing and assurance standards, and (3) responding timely to the need for guidance and communicating it clearly to the profession and to users.

The ASB also recognizes the importance of standards harmonization, both within the US and between countries. The pervasiveness of international business activity supports the closer harmonization of audit and attest services to provide efficient, quality audit services that meet the needs of a wide community of users. The integrity of reporting on financial information is strengthened when auditing standards are harmonized to a high level of quality. Thus, the ASB seeks cooperative standard setting discussions and projects with regulators and other standard setting bodies.

OPERATING PROCEDURES OF THE AUDITING STANDARDS BOARD

The operating procedures of the ASB are designed to permit timely, thorough, and open study of auditing, attestation, and quality control issues and to encourage broad public participation in the process of establishing and improving auditing, attestation, and quality control standards.

The objective of the ASB's policy of openness and broad public participation in the standards-setting process is to stimulate consideration and debate within the ASB's constituencies on matters of significance to the profession, users of audited financial statements and the general public. ASB members, the Audit and Attest Standards Staff, and ASB task force and subcommittee members are free at all times to express their individual views on matters under consideration in order to stimulate constructive public dialogue. The public is encouraged to do likewise, and individuals and organizations are invited to make their views and concerns known to the ASB through thoughtful, reasoned, and timely communication, generally in the form of letters commenting on proposed documents during their comment periods, and by participation in public hearings. The ASB and the Audit Issues Task Force (AITF) also hold periodic meetings with various constituent organizations to discuss the views of those organizations and their members.

Nomination of ASB Members and the ASB Chair

The ASB is a committee of nineteen members, consisting of public practitioners, members with state board of accountancy experience, users, and public members. Up to twenty five percent of the ASB may be non-AICPA members. Members are appointed within the following guidelines: local, regional and other non big four national firms (5); NASBA nominated representatives (5); big four firms (4); users and public members (5). Customarily, one seat is reserved for a government official or an auditor of government entities, and one seat is reserved for an academician. The Director³ of the AICPA Audit and Attest Standards Staff, in consultation with the ASB Chair, nominates the members of the ASB. The AICPA Board of Directors approves nominations for members of the ASB.

The ASB Chair presides at the ASB's meetings, and is responsible, in consultation with the Director, for establishing operating procedures for the ASB, its staff, task forces, subcommittees, and other groups. The Director nominates the ASB Chair. The AICPA Board of Directors approves the nomination for the ASB Chair.

Each member normally serves for three one-year terms, with reappointment for each term dependent on satisfactory performance. Depending on the status of projects with which a particular member may be involved, and if continuity would contribute to the timely completion of those projects, it may be appropriate to reappoint that member for one or more additional one-year terms. Upon appointment, the ASB Chair normally serves for three one-year terms, with reappointment for each term dependent on satisfactory performance, irrespective of how many terms that he or she has previously served as a member of the ASB.

If the ASB Chair is unable to fulfill his or her responsibilities, the Director appoints an ASB member to serve as interim ASB Chair until such time as the AICPA Board of Directors approves the nomination of a new ASB Chair.

Audit and Attest Standards Staff

The Audit and Attest Standards staff consists of a Director and an appropriate number of suitably qualified technical managers and administrative staff to support the activities of the ASB and its subcommittees and task forces. The staff helps subcommittees and task forces draft and deliberate authoritative professional standards and interpretations. The staff also develops non-authoritative professional guidance such as Technical Questions and Answers published in *Technical Practice Aids* and other forms of guidance on emerging issues. Additionally, the staff may be involved in other projects in cooperation with other teams at the AICPA, for example, the Accounting and Review Services Committee or other outside organizations, for example, the International Auditing and Assurance Standards Board (IAASB). The AICPA Office of the General Counsel provides legal counsel to the ASB.

³ The Vice President—Professional Standards and Services assumes the responsibilities of the Director when this position is unfilled.

The Vice President – Professional Standards and Services, in consultation with the Senior Vice President – Public Practice & Global Alliances appoints the Director of the Audit and Attest Standards Staff. The Director in consultation with the Vice President – Professional Standards and Services is responsible for determining the ASB’s personnel requirements and for appointing technical managers and other staff. As such, the Director has authority to hire, retain, and contract with staff members and to determine their duties and remuneration, as well as to contract with any other persons or organizations with respect to research and other technical services to be performed by consultants or independent contractors. The members of the Audit and Attest Standards staff are CPAs who ordinarily have at least seven years of experience in public accounting or standard setting. Staff members should have excellent knowledge of the standards. Staff members also should have excellent project management, communication and writing skills; however, the skills required by the ASB staff may vary depending on the nature of the ASB projects. For example, some projects may require additional information technology skills, or specialized knowledge of a specific topic or industry.

Operating and Project Plans

Audit Issues Task Force

The ASB Chair and the Director are responsible for preparing short- and longer-range operating and project plans for the ASB, including an agenda of projects and their priorities. The ASB Chair and the Director also are responsible for planning and monitoring the ASB's work. To assist them in preparing such operating plans and other administrative and technical responsibilities, the ASB Chair, in consultation with the Director, nominates, and the ASB approves, a slate of ASB members to serve on the AITF. A simple majority is sufficient to approve the nomination of the members of the AITF. The tasks assigned to the AITF may include establishing project priorities; providing technical advice to the ASB Chair, AICPA staff, ASB subcommittees and task forces, and other committees; reviewing and commenting on interpretive publications; serving as liaison between the ASB and other organizations; reviewing meeting agendas; and such other administrative and technical advice as the ASB Chair and the Director may request.

Liaison with Constituents

The ASB Chair and the Director are responsible for establishing appropriate liaison relationships with representatives of the ASB's constituents. The objective of these liaison activities is to communicate intended ASB actions and plans and to seek timely input on ASB projects and priorities and suggestions for possible ASB projects. Examples of important liaison groups that the ASB may have liaison relationships with include the Financial Accounting Standards Board, the Governmental Accounting Standards Board, the Federal Accounting Standards Advisory Board, the General Accountability Office, the Institute of Internal Auditors, and committees of the American Bar Association, American Bankers Association and the Financial Executives International. Representatives of the ASB and staff may meet with representatives of these groups periodically, or groups may be contacted depending on the circumstances and as specific needs arise. The Director is responsible for maintaining liaison with other AICPA staff on auditing, attestation and quality control standards setting matters.

Although the ASB maintains liaison relationships with certain constituents, the ASB also is interested in timely input on projects, priorities, and suggestions for possible ASB projects from any of its constituents. Any member of the public may express their views on the ASB's projects and priorities, or make suggestions for possible ASB projects by contacting the Audit and Attest Standards staff. See the table below for contact information for the various members of the Audit and Attest Standards Team.

Audit and Attest Standards Team Contact Information

	Telephone	E-Mail
Charles E. Landes, <i>Vice President, Professional Standards and Services</i>	202-434-9211	clandes@aicpa.org
Linda Delahanty, <i>Senior Technical Manager</i>	212-596-6063	ldelahanty@aicpa.org
Michael Glynn, <i>Senior Technical Manager</i>	212-596-6250	mglynn@aicpa.org
Ahava Goldman, <i>Senior Technical Manager</i>	212-596-6056	agoldman@aicpa.org
Hiram Hasty, <i>Senior Technical Manager</i>	212-596-6011	hhasty@aicpa.org
Andy Mrakovcic, <i>Technical Manager</i>	212-596-6094	amrakovcic@aicpa.org
Judith Sherinsky, <i>Senior Technical Manager</i>	212-596-6031	jsherinsky@aicpa.org
Sherry Hazel, <i>Administrative Secretary</i>	212-596-6032	shazel@aicpa.org
Sharon Macey, <i>Administrative Secretary</i>	212-596-6167	smacey@aicpa.org

The ASB Agenda

The ASB Chair and the Director are responsible for setting the ASB's agenda of projects and their priorities. The ASB Chair or the Director may consult with the ASB, AITF, other AICPA committees and task forces, or any of the ASB's constituents for input into the ASB's agenda. The Chair and the Director may use any means that they deem appropriate to seek input on the ASB's agenda. For example, the Chair or the Director may meet with representatives of the ASB's various constituent groups formally or informally, individually or in groups. The Chair and the Director may organize planning retreats, at which various ASB constituents are invited to

provide input into the ASB's agenda. The Chair and the Director also may appoint separate task forces of the ASB to provide input into the ASB's agenda.

Ordinarily, if a member of the ASB would like a topic to be added to the ASB's agenda, that member would suggest the topic to the ASB Chair or the Director for consideration; however, any member of the ASB may propose a topic to be added to the ASB's agenda, and the ASB may vote to add that topic to the agenda. A simple majority is sufficient to add a topic to the ASB's agenda.

Subcommittees and Task Forces

Subcommittees and task forces are appointed to assist the ASB in carrying out its mission.

A subcommittee is a standing group that may be entirely or partially composed of ASB members or may be composed entirely of other persons. Nominations for members of subcommittees are made by the Director, in consultation with the ASB Chair, and approved by the AICPA Board. Subcommittees of the ASB are established in recognition of a need for the continual dedication of specialized resources to achieve specified objectives. Subcommittees customarily are granted a high level of autonomy, but their work is subject to review by the ASB.

A task force is a group appointed to undertake a special project. A task force terminates upon the completion of its assignment. It may be entirely or partially composed of ASB members or may be composed entirely of other persons. A task force is appointed by the ASB Chair in consultation with the Director, and reports to the ASB Chair.

The ASB Chair has observer status at all meetings of subcommittees and task forces.

Research Projects

The Director, in consultation with the ASB Chair or his or her designee, may authorize and approve such research projects as the ASB Chair may deem necessary or desirable in the circumstances, and provides for research to be conducted by the ASB technical staff, by consultants, or task force members.

Research is generally directed to specific issues associated with the projects on the ASB's technical agenda or with possible future agenda projects and, as such, may be expected to have a problem-solving orientation and to provide information about specific questions and the impact of alternative solutions. Theoretical and conceptual research is also conducted when the circumstances warrant.

Unless restricted by copyright, agreement with the researchers, or other restriction, written research data or summaries of research data constitute a part of the ASB's public file.

Pronouncements and Other Communications

Statements on Auditing Standards, Statements on Standards for Attestation Engagements and Statements on Quality Control Standards

These publications are standards issued by the ASB. Rule 202 of the AICPA Code of Professional Conduct requires a member who performs audit and attestation services for nonissuers to comply with standards promulgated by the ASB. The ASB develops and issues standards in the form of Statements on Auditing Standards, Statements on Standards for Attestation Engagements, and Statements on Quality Control Standards (together, "ASB Statements") through a process that includes deliberation in meetings open to the public, public exposure of proposed ASB Statements, and a formal vote.

In determining an appropriate public exposure period of a proposed ASB Statement, including the comment due date, the ASB will take into consideration that the period from approximately January 1 through April 15 of any calendar year represents the traditional "busy season" for many practitioners. Although the ASB will attempt to limit having a comment period for a proposed ASB Statement end during the traditional "busy season," the decision regarding the comment due date will take into account the complexity of the subject matter in the proposed ASB Statement as well as the circumstances surrounding the need for a new standard.

Interpretative Publications

Interpretations: Interpretations are issued to provide guidance on the application of ASB Statements. The Audit and Attest Standards staff develops interpretations, sometimes with the assistance of ASB members or other volunteers. Interpretations are reviewed by the AITF, and issued under the authority of the ASB after all ASB members have been provided an opportunity to consider and comment on whether the proposed interpretation is consistent with the ASB Statements. ASB members are provided at least two weeks to consider and comment on proposed interpretations. Final approval of an interpretation rests with the ASB Chair and the Director.

AICPA Guides: AICPA Guides provide a guidance on particular circumstances that require special attention (such as the use of analytical procedures) or within specialized industries (such as depository and lending institutions). Other AICPA committees and staff develop specialized industry guides, and are responsible for updating the guides for changes in the auditing and accounting standards (referred to as *conforming changes*). AICPA Guides that contain guidance on ASB Statements are issued under the authority of the ASB. Any guides that are new or guides with updates beyond conforming changes are issued after all ASB members have been provided an opportunity to consider and comment on whether the proposed guide is consistent with the ASB Statements. ASB members are provided at least two weeks to consider and comment on proposed guides. Modifications to existing guides for conforming changes are approved by the ASB Chair (or his or her designee) and the Director. The ASB Chair and the Director approve the issuance of AICPA Guides that contain guidance on ASB Statements. Issuance of any AICPA Guide that contains accounting or financial reporting guidance as well as guidance on ASB Statements is also subject to the policies of the Financial Reporting Executive Committee.

Statements of Position: Statements of Position are issued to achieve one or more of several objectives: to describe and provide implementation guidance for specific types of audit and attestation engagements; or to provide guidance on specialized areas in audit and attestation engagements. Auditing and Attestation Statements of Position may be prepared by an ASB subcommittee or task force, an *ad hoc* committee or task force administered by the Audit and Attest Standards staff, or by other committees and staff. Any unusual technical auditing or attestation issues are reviewed by the AITF. Auditing and Attestation Statements of Position are issued under the authority of the ASB after all ASB members have been provided an opportunity to consider and comment on whether the proposed Statement of Position is consistent with the ASB Statements. ASB members are provided at least two weeks to consider and comment on proposed Statements of Position. The ASB Chair and the Director approve the issuance of any auditing or attestation Statement of Position. Issuance of any Statement of Position that contains accounting or financial reporting guidance also is subject to the policies of the Financial Reporting Executive Committee.

Other Communications

Public Statements: Entities outside the AICPA, such as the Public Company Accounting Oversight Board (PCAOB), the Securities and Exchange Commission (SEC), Federal or state agencies and other groups or entities may make proposals that relate to ASB Statements, auditing and attestation procedures, practices and methods, and the form and content of reports on audit and attestation engagements. Also, the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants proposes International Standards on Auditing and International Auditing Practice Statements. AICPA staff, task forces, or subcommittees may draft written comments to such outside entities on their proposals. The ASB Chair and the Director, or their designees, approve the issuance of such comments. (The Chair of the International Auditing Standards Task Force normally is designated the authority to approve comment letters to the IAASB.) The ASB Chair and the Director also may approve for publication interpretive auditing and attestation guidance of a transitional nature in publications such as *CPA Letter Daily* and the *Journal of Accountancy*.

Other Publications: The Audit and Attest Standards staff publishes other forms of guidance that do not carry the authority of the ASB; however, other auditing and attestation publications published by the AICPA that have been reviewed by the AICPA Audit and Attest Standards staff are presumed to be appropriate in understanding and applying the Statements on Auditing Standards. The Audit and Attest Standards staff also may publish guidance on understanding and applying other ASB Statements. These publications are not approved, disapproved, or otherwise acted on by the ASB, the membership, or the governing body of the AICPA, and are not official pronouncements of the AICPA. The Audit and Attest Standards staff also contributes to a quarterly newsletter, *Financial Reporting Center Newsletter*, to communicate the status of ASB and staff projects.

Meetings of the Auditing Standards Board

Rules of Order

Meetings are conducted on an informal basis, rather than on the basis of formal rules of order, subject to the power of the ASB Chair to conduct meetings effectively. This is done to promote a deliberative process and a free exchange of ideas.

Meetings Open to the Public

Those portions of ASB meetings relating to (a) the establishment of standards through ASB Statements and (b) other auditing, attestation and reporting matters directly affecting the public interest are open to the public. Portions of meetings dealing with matters of an administrative or necessarily confidential nature, such as meeting arrangements, establishment of task forces, and consideration of advice of AICPA counsel, need not be open to the public.

Meetings of the subcommittees and task forces of the ASB, including meetings of the AITF, are not open to the public; however at the discretion of the ASB Chair, or at the discretion of the chair of the subcommittee or task force (after discussing the request with the ASB Chair), interested parties may be invited to attend any or all meetings of any ASB subcommittee or task force.

Quorum Requirements

A majority of the members of the ASB constitutes a quorum. Occasionally, circumstances may arise that prohibit a member from attending an ASB meeting. In those circumstances, a member may send a representative to an ASB meeting.

Privilege of the Floor

The following persons have the privilege of the floor during meetings of the ASB: the members of the ASB, designated representatives of absent members, the AICPA nominated representative to the IAASB, the Chair of the AICPA Board of Directors, the President of the AICPA, AICPA General Counsel, the Senior Vice President-Technical Services, the Vice President-Professional Standards and Services, the Director, and other staff members whose presence is required. The ASB Chair may extend the privilege of the floor to members of other committees, subcommittees and task forces, or other individuals, such as representatives of the GAO and SEC, when matters relating to them are being discussed. Observers do not have the privilege of the floor although the ASB Chair may extend such a privilege for good cause.

Voting Procedures

The matters on which votes may be taken can be categorized as follows: (1) votes to ballot for issuance an exposure draft of a proposed ASB Statement or a final ASB Statement or (2) votes relative to other specific actions or to indicate preferences on specific issues.

Issuance of an exposure draft of a proposed ASB Statement or a final ASB Statement requires the written affirmative approval of two-thirds of all ASB members. In voting on issuance of an

exposure draft of a proposed ASB Statement or a final ASB Statement, Board members may either:

- approve issuance of the proposed or final ASB Statement, or
- dissent to issuance of the proposed or final ASB Statement.

Results of a vote will not be shown in either a proposed or final statement. Members who dissent to issuance of an exposure draft of a proposed ASB Statement may request that the dissent be included in the published proposed ASB Statement and the reasons therefor stated with a specific request for consideration by respondents. The Approved Highlights of ASB meetings at which a vote was taken to ballot for issuance a final, or an exposure draft of a proposed, ASB Statement will clearly indicate the results of the vote, including reasons for any dissents. In addition, a file summarizing the results, extracted from the Approved Highlights, of all votes including dissents and the reasons therefor will be maintained on the "[ASB Meeting Materials and Highlights](http://www.aicpa.org)" page on the AICPA's Web site, <http://www.aicpa.org>.

Votes on all other matters are by members and are effected by show of hands, by written ballot, electronic ballot, or by telephone poll conducted by the ASB Chair or the staff, as determined by the ASB Chair in each instance. A simple majority is sufficient to carry a motion. The ASB year, which normally expires annually at the time of the AICPA annual meeting, may be extended by the Board of Directors for purposes of voting on a specific document(s).

Notification

Public announcement of the date, time, and location of each open meeting is made on the "[ASB Meeting Materials and Highlights](http://www.aicpa.org)" page on <http://www.aicpa.org> and via e-mail to those who have registered to be placed on the ASB distribution list. Agendas and agenda materials are also posted on the "[ASB Meeting Materials and Highlights](http://www.aicpa.org)" page. Topics may be added to an ASB meeting agenda up to ten calendar days before an open meeting. Special meetings are set not less than ten days in advance of the meeting date. Final decisions on the issuance of exposure drafts of proposed ASB Statements or final ASB Statements are deferred to a subsequent meeting in those situations when no indication had been made available to the public that the subject would be covered in an open meeting.

Meeting Location

The locations of the meetings are determined by ASB staff, taking into account the accessibility of the location to ASB members and constituents, cost, and geographic variety. The ASB may also hold open meetings via teleconference call following the same notification procedures as described above.

Public Hearings

The ASB, from time to time, may seek information about auditing, attestation, and quality control issues and related matters by holding a public hearing or open forum discussion in which nonmembers can participate. The ASB Chair, in consultation with the Director, determines whether public hearings on a particular topic should be held, and if so, the number of public hearings to be held and the time, date, location, and general format of each. Each public hearing

is conducted by one or more members of the ASB or its technical staff pursuant to rules of order established by the ASB Chair. Such public hearings are not considered to be meetings of the ASB.

Public announcement of the date, time, and location of each public hearing is posted in the “[Accounting and Auditing](#)” interest area of <http://www.aicpa.org>. Agendas and agenda materials are also posted in the “[Accounting and Auditing](#)” interest area. Public hearings are set not less than thirty days in advance of the hearing date. Each notice of public hearing sets forth:

- The time, date, location, and general format of the hearing
- A brief statement of the subject or purpose of the hearing
- The date or dates prior to the hearing by which those wishing to be heard at the hearing are to notify the ASB and by which written comments, position papers, and outlines of oral presentations are to be received by the ASB
- Other information as the ASB may determine.

Any individual or organization may request to be heard at a public hearing, and to the extent practicable, the ASB will attempt to schedule all those making timely requests. Submission of written comments, a position paper, or an outline of a proposed oral presentation is a condition to being heard at a public hearing but this requirement may be waived by the Chair upon a showing of special circumstances or if it is in the public interest. Materials submitted to the ASB constitute a part of its public file.

Public hearings may be adjourned in whole or in part to reconvene at another time, date, or location or may be extended to additional date or dates at the same or different locations, with the same or a different format, without any announcement other than announcement at the hearing.

Public Announcements and Public File

Meeting Documents

Copies of documents relating to issues discussed in open meetings are ordinarily supplied electronically, at least seven days in advance of the meeting, to those included on the ASB distribution list. An appropriate number of sets of the following documents are made available for public inspection at the location of an open meeting: meeting agenda and agenda materials for topics open to the public, including point outlines and drafts of proposed pronouncements. These documents and the highlights of public meetings also are available on the “[ASB Meeting Materials and Highlights](#)” page on <http://www.aicpa.org>. Any ASB member may propose a motion, and the ASB may vote to defer any proposed action on any documents that are not available to the members of the ASB at least seven days in advance of a meeting.

Meeting Highlights

After each ASB meeting, the Audit and Attest Standards staff prepares brief summaries of principal actions taken and decisions reached at ASB meetings. Such meeting highlights also

include summaries of reports made by the ASB Chair, task force and subcommittee chairs, and the Director. The extent to which the results of specific, informal preference (or straw) votes are reflected in meeting highlights is at the discretion of the ASB Chair. The ASB approves meeting highlights at a subsequent meeting. ASB meeting highlights are available on the “[ASB Meeting Materials and Highlights](http://www.aicpa.org)” page on <http://www.aicpa.org>.

Public File

A public file on the open sessions of meetings for the current year and the upcoming year is available on the “[ASB Meeting Materials and Highlights](http://www.aicpa.org)” page on <http://www.aicpa.org>, for public reference. This file contains copies of meeting agendas, agenda materials, drafts of proposed pronouncements, highlights of open sessions of public meetings, comment letters received during public exposure periods on proposed pronouncements, written research data and summaries of research data, and materials submitted to the ASB in connection with public hearings. Comment letters on exposure drafts of proposed ASB Statements that are addressed in conformity with the instructions on the exposure drafts are included in the public file along with the exposure drafts.

Material Not Available to the Public

Correspondence and other documents related to auditing, attestation, and quality control standards activities and of committees administered by the Audit and Attest Standards staff that do not fall within the description of documents included under Public File are not available to the public. In particular, the following correspondence is not available to the public: correspondence between and among the ASB, ASB subcommittees and task forces, and AICPA staff; correspondence to and from AICPA counsel; letters from the public, other than letters of comment on exposure drafts; memoranda prepared by the staff; highlights of portions of meetings of the Board that are not open to the public; and highlights of meetings of ASB subcommittees and task forces. Also, individual written ballots, including ballots on exposure drafts and final pronouncements, are private; however, the results of such ballots on matters included on the ASB agenda are announced in open sessions of ASB meetings.

Record Retention Policies

Record Retention Policy for documents generated or received prior to January 1, 2002: Documents are kept on site for three years, filed by file reference number, to be assigned by the administrative support staff. At the end of the three years, the documents are sent to an outside storage facility for an additional seven years.

Record Retention Policy for documents generated or received on or after January 1, 2002: The AICPA’s Intranet is the technical staff’s primary document filing system. Documents are kept electronically on the AICPA’s intranet up to ten years. Documents received in hardcopy are scanned.

Document Retention Policy: The following documents are retained indefinitely, either in hardcopy or electronically:

- Highlights of public meetings

- Exposure drafts
- Final standards
- Agendas

AVAILABILITY OF PUBLICATIONS

To promote broad public participation in the process of establishing and improving auditing, attestation, and quality control standards, the ASB will make available via the internet at <http://www.aicpa.org/Research>, each Invitation to Comment, and each Exposure Draft of proposed ASB Statements. Invitations to Comment and Exposure Drafts of proposed ASB Statements are available free of charge.

The ASB also will publish final ASB Statements and the Interpretations thereto in the *Journal of Accountancy* as well as making them available in codified format free of charge to members on the “[Standards](#)” page on <http://www.aicpa.org>. Each ASB Statement is also available in print on <http://www.cpa2biz.com> for a charge. The annual paperback editions of the *Codification of Statements on Auditing Standards (Including Statements on Standards for Attestation Engagements)* and the *Codification of Statements on Standards for Attestation Engagements* are available in print. These codifications are also available as part of *AICPA Professional Standards*, which also includes the Statements on Quality Control Standards, in print and electronic format, on <http://www.cpa2biz.com> for a charge.

Other documents issued by the ASB will be made available either in print, on <http://www.aicpa.org>, or both.

The publication date of a document issued by the ASB is considered to be the first date that the document is made widely available to the public. In most cases, this will be the date that a document is made available on <http://www.aicpa.org>; however, there may be cases where a document is first made widely available in print, or published in the *Journal of Accountancy*. In those cases, the publication date of a document is considered to be the date of publication of the hard copy, or the date of publication in the *Journal of Accountancy*.

AMENDMENTS

The ASB originally approved these operating policies on June 5, 2002. Conforming changes were approved by the AITF as of September 30, 2002. The operating policies may be amended at any time upon approval of two-thirds of all the ASB members at an open meeting of the ASB. This document was last amended by the ASB at their meeting of January 2013.

REQUESTS FOR INFORMATION

Requests for information about availability of various ASB publications, ASB meetings, and the ASB's public file may be directed to:

Auditing Standards Board
American Institute of Certified Public Accountants
1211 Avenue of the Americas
New York, NY 10036-8775

The "[Accounting and Auditing](http://www.aicpa.org)" interest area of <http://www.aicpa.org> includes various current information about ASB activities and projects. Additional information is available at <http://www.cpa2biz.com>.

APPENDIX A

HISTORICAL BACKGROUND

In 1917, the American Institute of Certified Public Accountants, then known as the American Institute of Accountants, at the request of the Federal Trade Commission, prepared "a memorandum on balance-sheet audits," which the Commission approved and transmitted to the Federal Reserve Board.

The Federal Reserve Board, after giving the memorandum its provisional endorsement, published it in the Federal Reserve Bulletin of April 1917; reprints were widely disseminated for the consideration of "banks, bankers, banking associations; merchants, manufacturers, and associations of manufacturers; auditors, accountants, and associations of accountants" in pamphlet form with the title of "Uniform Accounting: a Tentative Proposal Submitted by the Federal Reserve Board."

In 1918, it was reissued under the same sponsorship, with a new title—"Approved Methods for the Preparation of Balance-Sheet Statements." There was practically no change from 1917 except that, as indicated by the respective titles and corresponding change in the preface, instead of the objective of "a uniform system of accounting to be adopted by manufacturing and merchandising concerns," the new objective was "the preparation of balance-sheet statements" for the same businesses.

In 1929, a special committee of the American Institute undertook revision of the earlier pamphlet in the light of the experience of the past decade; again under the auspices of the Federal Reserve Board, the revised pamphlet was issued in 1929 as "Verification of Financial Statements."

The preface of the 1929 pamphlet spoke of its predecessors as having been criticized, on the one hand, by some accountants for being "more comprehensive than their conception of the so-called balance-sheet audit," and, on the other hand, by other accountants because "the procedure would not bring out all the desired information." This recognition of opposing views evidenced the growing realization of the impracticability of uniform procedures to fit the variety of situations encountered in practice. Of significance is the appearance in the opening paragraph of "General Instructions" in the 1929 publication of the statement:

The extent of the verification will be determined by the conditions in each concern. In some cases, the auditor may find it necessary to verify a substantial portion or all of the transactions recorded upon the books. In others, where the system of internal check is good, tests only may suffice. The responsibility for the extent of the work required must be assumed by the auditor.

Between 1932 and 1934, there was correspondence, dealing with both accounting and auditing matters, between the Institute's special committee on cooperation with stock exchanges and the committee on stock list of the New York Stock Exchange. The views expressed were an

important development in the recognition of the position of accountancy in finance and business. The series of letters was published in 1934 under the title Audits of Corporate Accounts.

In 1936, a committee of the Institute prepared and published a further revision of the earlier pamphlets under the title of "Examination of Financial Statements by Independent Public Accountants." The Institute availed itself of the views of persons outside the ranks of the profession whose opinions would be helpful, but the authority behind and responsibility for the publication of the pamphlet rested wholly with the Institute as the authoritative representative of a profession that had by that time become well established in the business community.

In the 1936 revision, aside from the very briefly noted "Modifications of Program for Larger or Smaller Companies," the detailed procedures were restrictively stated to be an "outline of examination of financial statements of a small or moderate size company." Moreover, the nature and extent of such examinations were based on the purpose of the examination, the required detail to be reported on, the type of business, and, most important of all, the system of internal control; variations in the extent of the examination were specifically related to "the size of the organization and the personnel employed" and were said to be "essentially a matter of judgment which must be exercised by the accountant."

It is possible from the foregoing narrative to trace the development of the profession's view of an audit based on the experience of three decades. The succession of titles is illustrative. The earliest ambition for "uniform accounting" was quickly realized to be unattainable, and the same listed procedures were related instead to "balance-sheet statements." Then, with the gradually greater emphasis on periodic earnings, the earlier restrictive consideration of the balance sheet was superseded in the 1929 title, "Verification of Financial Statements," by according the income statement at least equal status. When in turn the 1936 revision was undertaken, there was a growing realization that, with the complexity of modern business and the need of the independent auditor to rely on testing, such a word as "verification" was not an accurate portrayal of the independent auditor's function. Accordingly, the bulletin of that year was stated to cover an "examination" of financial statements.

Statements on Auditing Procedure

The Committee on Auditing Procedure had its beginning on January 30, 1939, when the executive committee of the Institute authorized the appointment of a small committee "to examine into auditing procedure and other related questions in the light of recent public discussion."

On May 9 of that year, the report "Extensions of Auditing Procedure" of this special committee was adopted by the Council of the Institute and authority given for its publication and distribution, and in the same year the bylaws were amended to create a standing Committee on Auditing Procedure.

In 1941, the executive committee authorized the issuance to Institute members, in pamphlet form, of the "Statements on Auditing Procedure," prepared by the Committee on Auditing Procedure, previously published only in The Journal of Accountancy.

The "Statements on Auditing Procedure" were designed to guide the independent auditor in the exercise of his judgment in the application of auditing procedures. In no sense were they

intended to take the place of auditing textbooks; by their very nature textbooks must deal in a general way with the description of procedures and refinement of detail rather than the variety of circumstances encountered in practice that require the independent auditor to exercise his judgment.

Largely to meet this need, the Institute began the series of Statements on Auditing Procedure. The first of these presented the report of the original special committee, as modified and approved, at the Institute's annual meeting on September 19, 1939, and issued under the title of "Extensions of Auditing Procedure."

Statement No. 1 presented conclusions drawn from the experience and tradition of the profession which largely furnished the foundation for the Committee's present structural outline of auditing standards; the other Statements on Auditing Procedure appropriately fit into that structural outline.

The "Codification of Statements on Auditing Procedure" was issued by the Committee on Auditing Procedure in 1951 to consolidate the features of the first 24 pronouncements which were of continuing usefulness.

When the Securities and Exchange Commission adopted the requirement that a representation on compliance with generally accepted auditing standards be included in the independent auditor's report on financial statements filed with the Commission, it became apparent that a pronouncement was needed to define these standards. Accordingly, the Committee undertook a special study of auditing standards (as distinguished from auditing procedures) and submitted a report that was published in October 1947 under the title "Tentative Statement of Auditing Standards—Their Generally Accepted Significance and Scope." The recommendations of this brochure ceased to be tentative when, at the September 1948 meeting, the membership of the Institute approved the summarized statement of auditing standards.

In 1954 the "tentative" brochure was replaced by the booklet Generally Accepted Auditing Standards—Their Significance and Scope, which was issued as a special report of the Committee on Auditing Procedure. This pronouncement also gave recognition to the approval of Statement on Auditing Procedure No. 23 (Revised), "Clarification of Accountant's Report When Opinion Is Omitted" (1949) and the issuance of the "Codification" (1951).

Statement on Auditing Procedure No. 33 was issued in 1963 as a consolidation of, and a replacement for, the following pronouncements of the Committee on Auditing Procedure: Internal Control (1949), Generally Accepted Auditing Standards (1954), Codification of Statements on Auditing Procedure (1951), and Statements on Auditing Procedure Nos. 25-32, which were issued between 1951 and 1963. Statement No. 33 was a codification of earlier Committee pronouncements which the Committee believed to be of continuing interest to the independent auditor.

Statements on Auditing Standards

After issuance of Statement on Auditing Procedure No. 33, 21 additional Statements on Auditing Procedure, Nos. 34 to 54, were issued by the Committee on Auditing Procedure. In November 1972, these pronouncements were codified in Statement on Auditing Standards No. 1, Codification of Auditing Standards and Procedures. Also, in 1972, the name of the Committee

was changed to the Auditing Standards Executive Committee to recognize its role as the AICPA's senior technical committee charged with interpreting generally accepted auditing standards.

The Auditing Standards Executive Committee issued 22 additional statements through No. 23. These statements were incorporated in the AICPA's looseleaf service, Professional Standards, as issued. The looseleaf service began in 1974 and is administered by the AICPA staff. It provides a continuous codification of Statements on Auditing Standards.

Creation of the Auditing Standards Board

As a result of the recommendations of the Commission on Auditors' Responsibilities, an independent study group appointed by the AICPA, a special committee was formed to study the structure of the AICPA's auditing standard-setting activity. In May 1978, the AICPA Council adopted the recommendations of that committee to restructure the Committee. Accordingly, in October 1978 the Auditing Standards Board was formed as the successor to prior senior technical committees on auditing matters. The Board was given the following charge:

The AICPA Auditing Standards Board shall be responsible for the promulgation of auditing standards and procedures to be observed by members of the AICPA in accordance with the Institute's rules of conduct.

The board shall be alert to new opportunities for auditors to serve the public, both by the assumption of new responsibilities and by improved ways of meeting old ones, and shall as expeditiously as possible develop standards and procedures that will enable the auditor to assume those responsibilities.

Auditing standards and procedures promulgated by the board shall—

- a. Define the nature and extent of the auditor's responsibilities.
- b. Provide guidance to the auditor in carrying out his duties, enabling him to express an opinion on the reliability of the representations on which he is reporting.
- c. Make special provision, where appropriate, to meet the needs of small enterprises.
- d. Have regard to the costs which they impose on society in relation to the benefits reasonably expected to be derived from the audit function.

The auditing standards board shall provide auditors with all possible guidance in the implementation of its pronouncements, by means of interpretations of its statements, by the issuance of guidelines, and by any other means available to it.

Changes created by Sarbanes Oxley Act of 2002

AICPA members who perform auditing and other related professional services have been required to comply with Statements on Auditing Standards promulgated by the AICPA Auditing Standards Board. These standards constitute what is known as “generally accepted auditing standards” (“GAAS”). Prior to Sarbanes Oxley, the ASB’s auditing standards have applied to audits of all entities. However, as a result of the passage of the Sarbanes-Oxley Act of 2002 (“Act”), auditing rules and related professional practice standards to be used in the performance

of and reporting on audits of the financial statements of public companies (or issuers) are to be established by the Public Company Accounting Oversight Board. Accordingly, public accounting firms auditing issuers are now required to be registered with the PCAOB and to adhere to all PCAOB rules and standards in those audits. In 2003, the PCAOB adopted the then-existing Audit and Attest Standards as its interim auditing standards.

The preparation and issuance of audit reports for those entities not subject to the Act or the rules of the SEC (hereinafter referred to as “nonissuers”) continue to be governed by generally accepted auditing standards promulgated by the ASB.

The Reconstituted ASB

In February 2004, the AICPA’s Board of Directors unanimously recommended that the AICPA’s Governing Council take the following action at its meeting in May 2004:

- Designate the PCAOB as a body with the authority to promulgate auditing and related attestation standards, quality control, ethics, independence and other standards relating to the preparation and issuance of audit reports for issuers.
- Amend the ASB’s current designation to recognize the ASB as a body with the authority to promulgate auditing, attestation and quality control standards relating to the preparation and issuance of audit reports for non-issuers only.

As a result of this action, the ASB was reconstituted and its jurisdiction amended by AICPA Council to recognize the ASB as a body with the authority to promulgate auditing, attestation and quality control standards relating to the preparation and issuance of audit and attestation reports for nonissuers.