

**AICPA's AUDITING STANDARDS BOARD
International Convergence Plan**

ASB's CONVERGENCE PLAN WITH INTERNATIONAL AUDIT AND ATTEST STANDARDS

The world has become a global marketplace for goods and services. National boundaries are virtually irrelevant in the accessibility of capital and the creation of wealth. Technologies, at levels not imagined several decades ago, enable commerce and information flows in a virtual, real time manner. Information is plentiful and the medium of dissemination varied. A major issue continues to be the integrity of the processes designed to ensure that the information is reliable, relevant and organized in a manner that is valuable to users.

As international standards in audit and attest services become accepted worldwide, and these standards become common in cross-border operations and financing, CPAs in the U.S., including smaller firm practitioners, will find themselves needing to be familiar with these international standards on auditing ("ISAs") and will find that they may be required to perform engagements in accordance with these international standards (or equivalent national standards) in order to serve these international businesses.

International standards-setting in the public interest requires cooperation between national and international standards-setting bodies to improve the transparency of cross-border financial reporting. The AICPA's Auditing Standards Board ("ASB") has had a major influence on the global professional and regulatory environment. We have contributed directly and indirectly through our task forces or subcommittees, in the appointment of representatives on the International Audit & Assurance Standards Board ("IAASB") (John Fogarty chair of ASB serves as a member of the IAASB), we have assigned appointees to international projects or subcommittees, we have reviewed and commented on all proposed international audit standards, and we have helped IAASB identify emerging national issues with international implications.

We must recognize that around the world, these international auditing standards are being used by auditors from firms of all sizes. In many parts of the world, as in the U.S., the vast majority of audits are of non public entities and these standards have proven to serve the public, management and the auditor very well. IFAC has shown its interest in the views of smaller firm practitioners by the creation of a small entity task force. IFAC's SMP (small, medium practices) task force monitors the standards from a smaller firm perspective. Today, an ASB member (Harold Monk) serves on that SMP task force.

Therefore, the ASB believes that it is now in a unique position to move its standard setting process and body of knowledge to be more formally aligned with the international auditing standards and the international standards setting process. Given the ASB charge and its responsibility to serve the needs of users of audited nonissuer financial statements, it seems prudent that ASB look to leverage its resources with the IAASB; **while still retaining its ability and flexibility to develop auditing, attestation, and quality control standards that serve U.S. auditors of nonpublic entities and that inspire public trust.**

Working closely with IAASB isn't new or different for the ASB. The ASB has worked closely with the IAASB for the last several years to achieve consistent interpretation and implementation of the more recent SASs and ISAs specifically those auditing standards SAS 99 *Consideration of*

Fraud in a Financial Statement Audit, SAS 101 Auditing Fair Value Measurements and Disclosures and our current projects on *Risk Assessment*.

Following is the ASB's plan for convergence. This plan compliments and builds off of the AICPA's International Strategy Special Committee's vision to converge AICPA auditing standards with International Standards of Auditing (ISAs) and with the AICPA's international strategy approved by the AICPA's Board of Directors in February 2002. This plan focuses on the major, high priority areas of emphasis for the ASB beginning in 2005. The plan initiatives are open-ended, not necessarily with a due date, and are in the form of directions rather than absolute goals.

The AICPA has shown that it is a leader in financial reporting and assurance. It must now be in a position to support its membership, and the accountancy profession worldwide, through its standard setting process, educational programs and public relations that will increase the knowledge of members about the international standards-setting process, the body of international auditing standards and implementation matters.

The ASB Plan

- ◆ The ASB, as a consequence of its leadership role, will:
 - Adopt an official position of *ISA BASE*:
 - *ISA BASE* means the ASB will harmonize its agenda with the IAASB. ASB standard (SAS) projects will be developed concurrently with new ISAs. Exceptions would be made in situations where national standards for nonissuers are needed to be created or amended as a result of national circumstances.
 - *ISA BASE* means new SASs would use the ISA, including the international convention for wording, as the base standard. The ASB would modify the base standard only where modifications are deemed necessary to better serve the needs of U.S. users of audited financial statements of nonissuers or where modifications are appropriate for U.S. legal and regulatory reasons.
 - Provide considerable support and resources, both voluntary members and staff to the development of new and revised ISAs:
 - ASB members will work directly with IAASB task forces on the development of the ISA to serve as the basis for a SAS. ASB will attempt to have its members directly involved on IAASB task forces and will create its own task forces to help support IAASB task forces or where U.S. modifications are being considered.
 - The AICPA Audit & Attest Standards staff will increase its participation in IAASB projects, by providing technical support to IAASB. AICPA staff will be freed up to staff ISA projects or support IFAC staff in staffing ISA task forces.
 - Assist in or develop supporting auditing practice guidance for practical application of ISAs and SASs and the application of ISAs and SASs in specific industries.

- ◆ In order to better leverage ASB volunteer member time, ASB task forces on a “going forward basis” will be organized to consist typically of fewer members. Task forces will generally consist of 2 – 3 ASB members or other subject matter experts, supported by an audit and attest technical manager. This small team will be responsible for following the progress of the IAASB task force (with one of the members on the IAASB task force) and for developing and leading the ASB’s position and debate on the project.

- ◆ The ASB will reorganize its standing international auditing standards subcommittee to manage and oversee the internationalization of audit/attest standards. The Audit Issues Task Force of the ASB along with the members of the ASB should be more involved with IAASB audit standard setting projects. Among other things, AITF or other ASB members should serve as leaders in terms of issues identification and project participation in the setting of ISAs.