

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
AUDITING STANDARDS BOARD  
STRATEGIC PLAN

STRATEGIC PLANNING TASK FORCE OF THE  
AUDITING STANDARDS BOARD OF THE  
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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The Strategic Planning Task Force (the "Task Force") is pleased to submit our recommendations for the strategic initiatives and action plans to implement those strategic initiatives to the Auditing Standards Board ("ASB or the Board"). We hope the Board will find these recommendations useful in guiding the ASB's agenda and priorities over the next several years.

Much has changed in the nearly fifteen years since the ASB last formally established and published its strategic initiatives and action plans. For approximately the last ten of those fifteen years, the Board's objective has been to converge its standards with those of the International Auditing and Assurance Standards Board ("IAASB"), while avoiding unnecessary differences between its standards and those of the Public Company Accounting Oversight Board ("PCAOB"), which has the authority to establish auditing standards to be used by Registered Public Accounting Firms in their audits of issuers and broker-dealers. The Task Force recommends the ASB continue those efforts, while assuming a stronger leadership role in the establishment of high-quality auditing and attestation standards for use by auditors and accountants providing such services to nonissuers.

As a part of our project, the Task Force re-evaluated and substantively confirmed the mission of the ASB. The Task Force also surveyed stakeholders concerning their most pressing needs and respondents overwhelmingly told us that they needed more guidance on how to effectively implement existing auditing and attestation standards as opposed to needing more standards. Small and medium size practices, in particular, told us they needed more and better guidance on how to effectively implement the risk assessment standards on audits of smaller, less complex entities. Survey respondents also indicated that new or revised standards or implementation guidance are needed to effectively respond to certain areas of emerging audit risk (e.g., auditing fair value measurements and disclosures, auditing in electronic commerce environments, and auditing the going concern assumption). Respondents also identified auditing the assertions underlying recent and imminent new accounting standards and auditing financial statement disclosures as areas where new or revised standards or implementation guidance are needed.

In evaluating the ASB's current processes for addressing areas of emerging audit risk, the Task Force concluded that the ASB should establish better liaison with other AICPA Committees, Expert Panels and AICPA teams, including the AICPA product development teams, in order to be more informed of areas of emerging audit risk and common practice issues, and to assure that AICPA implementation guidance, communications, and education programs remain consistent with the Board's standards.

We hope the Board finds the recommendations contained herein to be both meritorious and useful in establishing its priorities and future agendas.

On behalf of the Strategic Planning Task Force,



Bruce P. Webb, Task Force Chair

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## Review of ASB Mission Statement

### Current Mission Statement

The current ASB mission statement is as follows:

*The ASB is the senior technical committee of the AICPA designated to issue auditing, attestation, and quality control standards applicable to the performance and issuance of audit and attestation reports for nonissuers. Its mission is to develop and communicate comprehensive performance, reporting, and quality control standards and practice guidance to enable auditors of nonissuers to provide high quality, objective audit and attestation services at a reasonable cost and in the best interests of the profession and the beneficiaries of those services, with the ultimate purpose of serving the public interest by improving existing and enabling new audit and attestation services.*

### Recommended Revised Mission Statement

In order to place greater emphasis on the Board's responsibility to serve the public interest, the Task Force recommends the mission statement be revised to read as follows:

*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 nonissuers. Its mission 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.*

Some have challenged whether the words “*and efficient*” should be included in the mission statement. The Task Force believes those words are superior to “*at a reasonable cost and in the best interest of the profession and the beneficiaries of those services*” and simply implies that the ASB should always be mindful that the benefits, to the users of our reports, of the standards and the guidance it issues should exceed their cost.

### Manner in Which the ASB Carries Out its Mission

The ASB mission statement is supported by the following statement:

*The ASB carries out its 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 Task Force believes this statement concerning the manner in which the ASB carries out its mission is appropriate and does not recommend any changes to that statement.

## Recommended Strategic Initiatives

Initiative A: Support the understanding and implementation of existing auditing standards and the development of new auditing standards and interpretive guidance in response to evolving user needs, emerging economic developments and changes in financial accounting standards and regulations.

The Task Force believes the ASB should improve its processes for evaluating how evolving user needs, emerging economic developments and changes in financial accounting standards and regulations affect audit risks and, therefore, whether:

1. New auditing standards should be issued;
2. Existing auditing standards should be modified; or
3. Additional implementation guidance should be issued.

The Task Force also believes the ASB should improve the processes by which it monitors the implementation of new or revised auditing standards, especially as it relates to their implementation by small and medium sized practices and in audits of smaller, less complex entities.

Initiative B: Contribute to the development of high-quality auditing, attestation and quality control standards by International and U.S. standard-setters and promote the convergence of such standards.

The Task Force supports the Board's efforts to converge its standards, to the extent possible, with those of other standard setters. However, the Task Force believes the ASB should take a more active role in both the establishment of international standards by the IAASB and the establishment of U.S. auditing standards by other U.S. standard-setters. The Task Force also recommends, when the Board concludes not to converge with such standards, that it publicize its reasons for not doing so.

Initiative C: Re-evaluate and clarify the attestation standards, giving appropriate consideration to evolving user needs and the Board's objective to converge ASB standards with those of the IAASB.

The Task Force understands that the ASB has already commenced a project to clarify the attestation standards and intends, to the extent possible, to converge its standards with those of the IAASB. The Task Force supports that project and recommends, as a part of that project, the ASB also:

1. Clarify the types of subject matter reports that should be issued as an attestation report as opposed to a report under the consulting standards;
2. Develop protocols for determining when a subject matter (a) is adequately addressed in the "umbrella" standard, (b) warrants a separate standard, or (c) can be adequately addressed by implementation guidance; and
3. Evaluate whether specific attestation standards should be revised for issues arising in practice, in addition to being redrafted for consistency and clarity.

Initiative D: Increase communications to AICPA members and others and actively monitor and support the development and issuance of implementation guidance and training by the AICPA product development teams.

The Task Force believes the ASB and the AICPA's Audit and Attest Standards staff should strive to improve the internal processes by which they:

1. Monitor and support the issuance of *Audit Guides*, *Audit Risk Alerts* and other implementation guidance developed by other AICPA Committees, Task Forces and Expert Panels and issued by the AICPA A&A Publications team;
2. Monitor the development and presentation of AICPA-sponsored audit and attest continuing education conferences and courses by the AICPA CPE and Conference teams;
3. Liaise with the AICPA Publication team on communications on timely and relevant audit and attestation topics; and
4. Organize and improve access to audit and attest standards, implementation guidance and communications on the AICPA website.

## Recommended Action Plans to Implement Strategic Initiatives

Initiative A: Develop new auditing standards and interpretive guidance and support the understanding and implementation of existing auditing standards in response to evolving user needs, emerging economic developments and changes in financial accounting standards and regulations.

A1: Improve the processes by which the ASB obtains information about the need for new or revised auditing standards and implementation guidance.

A1-1: Establish ongoing liaison meetings with the Peer Review Board and Professional Ethics Executive Committee to obtain information about common practice issues identified through the peer review and disciplinary investigation processes.

A1-2: Establish ongoing liaison meetings with other relevant AICPA Committees and Expert Panels, and continue outreach to government regulators (e.g., DOL, HHS, HUD), to obtain information about common practice issues and industry economic and regulatory developments.

A1-3: Establish ongoing outreach activities with the American Accounting Association (“AAA”) to obtain information about the results of academic research related to auditing standards, implementation guidance and overall audit quality, including research that relates to auditor objectivity, professional skepticism and professional judgment.

A1-4: Evaluate the adequacy of existing standards and implementation guidance in light of the information obtained from the liaison meetings and other sources, such as the Technical Hotline and AICPA Conferences, and make recommendations regarding future ASB projects.

A2: Evaluate the adequacy of existing standards and implementation guidance in light of significant recent changes in the economic environment and recent and imminent future changes in financial accounting standards, giving specific consideration to those involving significant accounting estimates and fair value measurements and disclosures, and when necessary, issue new or revised standards and implementation guidance.

A2-1: Evaluate the adequacy of existing auditing standards and implementation guidance in light of recent changes in the economic environment and, together with the AICPA Accounting Standards team and FinREC representatives, recent and imminent changes in financial accounting standards, and make recommendations regarding future ASB projects.

A2-2: Review auditability issues with respect to proposed financial accounting standards and provide input to FinREC for inclusion in AICPA comment letters to the FASB and GASB.

A3: Improve processes to obtain input from small and medium size practices on the effect of auditing standards on audits of smaller, less complex entities and audits of governmental organizations prior to exposure during the standards development process.

A3-1: Develop and implement guidelines or protocol for task force assignment that provide for the inclusion of task force members from small and medium size practices and auditors of governmental organizations on standards development or revision projects that are likely to significantly affect those practitioners.

A3-2: Develop and implement processes to seek and evaluate input on proposed new or revised standards from the AICPA PCPS Technical Issues Committee and/or the State and Local Government Expert Panel prior to approving standards for exposure.

A4: Monitor the effectiveness and efficiency of practitioners' implementation of auditing standards and, where necessary or advisable, issue implementation guidance to assist practitioners with the effective and efficient implementation of auditing standards.

A4-1: Liaise with the AICPA's Vice President for Small Firm Interests and the AICPA PCPS Technical Issues Committee and develop a process to obtain information from small and medium size practices concerning implementation issues with auditing standards on audits of smaller, less complex entities.

A4-2: Develop a process, giving due consideration to the process implemented by the IAASB, to identify implementation issues and the need for implementation guidance.



## Recommended Action Plans to Implement Strategic Initiatives

Initiative B: Contribute to the development of high-quality auditing, attestation and quality control standards by International and U.S. standard-setters and promote the convergence of such standards.

B1: Establish ongoing liaison meetings with other International (IAASB) and U.S. (PCAOB, GAO) auditing standard-setters to share information about practice issues that indicate new auditing standards need to be issued or existing auditing standards need to be revised.

B1-1: Pursue opportunities for IAASB/ASB liaison meetings when the IAASB is meeting in the U.S. or at least for liaison meetings with the IAASB Chair.

B2: Become more directly engaged in the IAASB's standard-setting process.

B2-1: Attempt to get ASB members appointed to the IAASB or to its task forces, and strengthen the connection between the ASB and AICPA members who are members of, or technical advisors to, the IAASB.

B2-2: Have the standing task force (IASTF) provide a report on IAASB standards setting activities at each ASB meeting.

B2-3: Offer AICPA Audit and Attest Standards staff to IAASB to assist with standards development or revision.

B3: Establish standing task forces to monitor the standard setting activities of other U.S. standard setters (PCAOB and GAO).

B3-1: Inform ASB of standard setting activities of the PCAOB and GAO and how their proposed standards differ from those issued by the Board.

B3-2; Identify issues and make recommendations with respect to proposed standards and concept releases issued by the PCAOB and GAO and obtain Board approval to communicate such matters to the audit quality center or AICPA staff, committee or task force responsible for drafting the comment letter on such proposals.

B3-3: With respect to new and revised standards issued by the PCAOB and GAO, advise the ASB as to whether its standards should be modified to converge with those standards and, if not, the reasons why not.

## Recommended Action Plans to Implement Strategic Initiatives

Initiative C: Re-evaluate and clarify the attestation standards, giving appropriate consideration to evolving user needs and the Board's objective to converge ASB standards with those of the IAASB.

C1: Clarify the characteristics of subject matter reports that require them to be issued as an attestation report rather than a report under the consulting standards.

C2: Complete the clarification of the attestation standards, giving appropriate consideration to the ASB's objective to converge its standards, to the extent possible, with those of the IAASB.

C3: Develop protocols for issuance of the clarified attestation standards to improve their consistency as well as their clarity.

C3-1: Develop protocols for determining when a subject matter (a) is adequately addressed in the "umbrella" standard, (b) warrants a separate standard or (c) can be adequately addressed by implementation guidance.

C3-2: Consider whether the attestation standards should address all aspects of an engagement, including risk assessment, as the auditing standards do, and, if so, whether any of the auditing standards can be incorporated by reference as opposed to having such aspects separately stated in the attestation standards.

C4: Establish ongoing liaison meetings with the Assurance Services Executive Committee to obtain information about the demand for new or revised subject matter attestation reports.

C5: Develop new or revised attestation standards and interpretive guidance and support the understanding and implementation of existing attestation standards in response to evolving user needs.

## Recommended Action Plans to Implement Strategic Initiatives

Initiative D: Increase communications to AICPA members and others and actively monitor and support the development and issuance of implementation guidance and training by the AICPA product development teams.

D1: Leverage the process improvement actions plans in Initiative A to identify auditing and attestation communication needs.

D1-1: Identify opportunities to issue communications on emerging and relevant auditing and attestation topics, including in publications of other organizations such as the AAA and IAASB, as well as in AICPA publications.

D1-2: Establish formal processes for development of auditing and attest communications and approval of such communications by the ASB or the Audit and Attest Standards team.

D2: Improve the coordination and communication between the ASB, the AICPA Audit and Attest Standards staff and the AICPA product development teams

D3: Provide more effective oversight of auditing and attestation implementation guidance developed by the AICPA A&A Publications team, AICPA Committees and Expert Panels.

D3-1: Enhance the process for developing Guide and Audit Risk Alert content to provide greater transparency for ASB, including:

- review and approval of project plans prior to Guide development
- advance identification of ASB Guide reviewers
- continual communication of Guide development, review and release schedule

D3-2: Receive a status report from the AICPA A&A Publications team at each ASB meeting, with monthly reports to the ASB Chair and AICPA Vice President, Professional Standards and Services.

D4: Improve the organization and accessibility of authoritative and non-authoritative implementation guidance in AICPA publications and on the AICPA website.

D4-1: Organize by AU topic and evaluate continuing relevance and hierarchy classification.

D4-2: Enhance the awareness and accessibility of the guidance by users

D5: Establish a formal monitoring process to assure the consistency of AICPA audit and attestation conferences and training courses with the related standards and implementation guidance.

## Summary of Significant Survey Responses

To inform its assignment, the Task Force developed and distributed a survey asking respondents a series of questions about the ASB's mission and activities and seeking input on which activities are most important to ASB stakeholders. The survey was distributed to a targeted audience of CPA firms, state societies, state auditors, regulators, standard setters, preparers, academics and others. In addition, the survey was posted on the AICPA website. Approximately 240 respondents (80% of which were CPA firms) completed the survey. The CPA firm respondents were approximately equally split between firms with 5 or fewer CPAs, 6-20 CPAs, 21-99 CPAs and 100 or more CPAs. Accordingly, the respondents were deemed to be representative of the AICPA membership and other stakeholders. Survey respondents provided their views on a variety of topics including the following:

### Appropriateness of the ASB's Mission

Approximately 90% of respondents indicated that the ASB's mission and the manner in which it is carried out are appropriate. While the Task Force agreed, it did propose some minor revisions to the mission statement to place greater emphasis on the profession's obligation to serve the public interest.

### Importance of Minimizing Differences With PCAOB Standards

Interestingly, while only about 50% of respondents felt it was important for the ASB to minimize differences between its standards and those of the PCAOB, approximately 90% felt it was important for the ASB to explain the difference to practitioners and users.

### Importance of ASB Activities

Nearly 90% of respondents rated *Responding to Practitioners' Needs* as important or very important. While a majority of respondents rated *Developing or Revising Auditing and Attestation Standards* as important or very important and the Task Force concurs with that assessment, it is clear practitioners believe more implementation guidance is needed to effectively implement the existing standards in today's economic environment, especially in the audits of smaller, less complex entities.

### Sources of Emerging Audit Risk

Survey respondents identified auditing fair value, auditing in electronic commerce environments, electronic "confirmations" and auditing the going concern assumption as areas of emerging audit risk.

### Areas in Need of New or Revised Standards and Implementation Guidance

Survey respondents consistently identified the auditing implications of new accounting standards, auditing financial statement disclosures, auditing fair value measurements and related disclosures, auditing employee benefit plans and auditing the going concern assumption as areas in need of new or revised standards or implementation guidance. A majority of respondents also support the clarification of the attestation standards, as well as the convergence of U.S. standards with International standards.

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