Proposed strategy and work plan
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The Auditing Standards Board (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.

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A message from the ASB chair and AICPA chief auditor

Since 2012, when the AICPA’s Auditing Standards Board (ASB) undertook its most recent public consultation on its mission, objectives and standard-setting agenda, much has changed about the way entities conduct their business and activities. The economic environment has become more global, and both transactions and accounting standards have become more complex. All this change has taken place against the backdrop of increasingly rapid changes in the use of technology. Evolving technology has changed how business is conducted and permeates almost all aspects of our lives. It is in this context that we are seeking to obtain and understand the views of our stakeholders about our standard-setting strategy over the period through 2022.

Top of mind in our strategy and work plan is our responsibility to the public interest. Although it may be difficult to agree on a precise definition of the “public interest,” we do believe that at a minimum, it requires the ASB to consider the views of all stakeholders including preparers, users and auditors. You will see that in the remainder of this consultation, we have laid out what we believe are fundamental building blocks in arriving at what it means to set audit and attestation standards “in the public interest.”

Over the past several years, the ASB has been very successful in implementing a standard-setting strategy largely focused on convergence with international standards issued by the International Audit and Assurance Standards Board (IAASB) while minimizing unnecessary differences with auditing standards issued by the Public Company Accounting Oversight Board (PCAOB). This convergence strategy has resulted in the ASB issuing several high-quality auditing standards, including new standards for auditor reporting. At the same time, the ASB has developed new robust auditing standards that are specific to our U.S. environment, such as those for going concern and auditing and reporting on ERISA employee benefit plan financial statements, among others. Convergence and alignment of auditing standards around the world are of critical global importance, and it is in this context that we seek your specific feedback on our convergence policy for standard-setting.

In this consultation, you will see that we have identified environmental “drivers” that have resulted in the ASB identifying five strategic initiatives and related strategic actions. We believe that the strategic actions enumerated in the consultation will ultimately result in the ASB continuing to establish high-quality audit and attestation standards in the public interest and doing so in a more efficient manner. If we can set standards in this manner and achieve our objectives, we believe that the relevancy of the audit profession will continue and be even further enhanced.

It is in this spirit that we look forward to your consideration of this consultation and receipt of your input, advice and feedback as we set our strategy and upcoming work plan.

Mike Santay
ASB Chairman

Bob Dohrer
Chief Auditor
Request for comments

This consultation paper was developed by the ASB Strategy Task Force. Comments are welcome on whether

1. you agree with “Our mission and keys to our success” (see page 4), as well as the “Factors driving our strategy” (see page 5)

2. you agree with “Our strategic initiatives” and “Our strategic actions” (see pages 6 to 8)

3. you agree with the activities that have been identified in our detailed Work Plan for 2020–21 (see pages 10 and 11). If you don’t agree with the work plan, what other activities do you believe the ASB should prioritize?

4. there are any other topics that the ASB should consider in determining its strategy and work plan.

Comments are requested by Jan. 31, 2020. In answering the questions, please explain why you agree or disagree with the ASB’s proposals.

Comments should be sent to Sherry Hazel at CommentLetters@aicpa-cima.com.
Our mission and keys to our success

Our mission
Serve the public interest by developing, updating and communicating comprehensive standards and guidance that enable practitioners to provide high-quality, objective audit and attestation services to nonissuers effectively and efficiently.

Keys to our success
Fulfilling our mission by:
• developing auditing, attestation and quality control standards that inspire public trust
• contributing to the development of high-quality international auditing and assurance standards and guidance issued by the IAASB
• responding timely to the need for clear guidance for the profession and users
Our opportunities and challenges: Factors driving our strategy

Understanding our key opportunities and challenges is crucial to the development and effective implementation of our standards. The most significant factors that have shaped our strategy include the following:

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| Advancement in, and use of, technology        | • Businesses and economies are increasingly affected by rapidly changing and evolving technologies (for example, artificial intelligence, robotics, blockchain, cloud computing, social networks and new digital payment platforms).  
• Rapid developments in technologies are having a profound effect on audit and assurance engagements, including the use of automated tools and techniques and changes in how engagement teams are structured and interact. |
| Increasing complexity and its implications    | • The business environment is becoming increasingly complex because of, for example, ongoing globalization and advancing technologies.  
• Financial reporting standards are becoming more complex; for example, more estimates and management judgments are needed.  
• This complexity raises concerns about the scalability of our auditing and attestation standards to engagements for less complex entities. |
| Changing information needs of users          | • External reporting is evolving, with many users of reports increasingly looking for information beyond financial statements (for example, information about sustainability, cybersecurity, governance and internal control) and seeking assurance thereon.  
• Reporting with respect to emerging subject matters raises questions about the sufficiency of our existing standards for performing such engagements. |
| Changing expectations of stakeholders        | • Peer review and other inspection results, including repeat findings in certain areas, have raised questions about whether changes to standards or additional implementation guidance are needed.  
• Stakeholders’ expectations are increasing about what the auditor does and should do, for example, in relation to the detection and reporting of fraud, and the consideration of going concern issues. |
Our strategic initiatives

Our strategic initiatives are the foundation of how we serve the public interest by developing standards and practice guidance that enable practitioners to provide high-quality, objective audit and attestation services to nonissuers effectively and efficiently. The strategic initiatives drive our planned strategic actions in responding to the current environment and anticipated future challenges. Our focus on quality and our ability to be nimble and react timely to emerging developments are key to our success.

Initiative A: Develop high-quality standards in the public interest.

Initiative B: Enhance communications with our stakeholders.

Initiative C: Think and operate more strategically.

Initiative D: Keep our standards relevant in a changing environment.

Initiative E: Support effective application of our standards.
Initiative A: Develop high-quality standards in the public interest.
Identifying the topics and priorities for the ASB’s standard-setting agenda that best serve the public interest, including obtaining timely input from stakeholders, is becoming increasingly important in this rapidly changing environment. The ASB remains committed to its strategic objective of converging its standards with those of the IAASB, while minimizing differences with the standards of the PCAOB.

Initiative B: Enhance communications with our stakeholders
Input and feedback from our stakeholders are critical to the ASB’s processes for setting its agenda and in developing high-quality standards and guidance. Ongoing liaison and engagement with our key stakeholders, including other standard setters in the United States and internationally, are critical to our success.

Initiative C: Think and operate more strategically.
Innovatively using our resources in the most efficient and effective ways while focusing on achieving the ASB’s mission will provide opportunities to improve the “time to market” for new or revised standards and guidance. Working faster and smarter — including using available technologies to the fullest extent possible — will enable us to be more proactive in adapting our strategies in response to a rapidly changing environment and emerging needs and developments.

Initiative D: Keep our standards relevant in a changing environment.
The increasing use of new and innovative technologies by companies, and by practitioners in performing engagements, has increased the need for the ASB to monitor the development and use of such technologies and consider whether our standards remain “fit for purpose” in supporting their use. In addition, new and emerging service offerings by firms create the need for the ASB to evaluate whether appropriate standards are in place for the acceptance and performance of these services.

Initiative E: Support the effective implementation and application of our standards.
Helping practitioners better understand and consistently apply our professional standards will help foster quality in the performance of audit and attestation engagements. Identifying areas where guidance is needed, such as applying our standards on engagements for less complex entities, is fundamental to our success.
Our strategic actions

Initiative A: Develop high-quality standards in the public interest.
Strategic actions — We will do the following:

• Determine the "drivers" of our future standard-setting agenda and other activities, taking into consideration the needs of stakeholders and environmental factors, including financial reporting developments and the use of emerging technologies.
• Explore ways to improve convergence with IAASB projects and innovate our processes for obtaining feedback from holders to inform our timely input on IAASB projects in process.
• Consider the formation of an advisory body to provide input on the ASB agenda and current projects. Such body could promote the public interest by providing more direct and timely input from stakeholders, such as users, preparers, lenders, investors, and regulators.
• Establish ongoing mechanisms for obtaining further input from small- and medium-sized practices (SMPs) and consider the best ways to make the ASB’s standards scalable and capable of consistent application for audits of less complex entities.

Initiative B: Enhance communications with our stakeholders.
Strategic actions — We will do the following:

• Explore new and creative means of communicating with our stakeholders, including more direct involvement in outreach by current ASB members.
• Identify key stakeholders specific to each ASB project and, in connection with a formal project proposal, plan for outreach with those key stakeholders.
• Consider innovative uses of technology and other methods to obtain input and feedback on ASB projects and other activities.

Initiative C: Think and operate more strategically.
Strategic actions — We will do the following:

• Continue our active role and ongoing liaison with other standard-setters in the United States and around the world, and seek ways to take the lead on standard-setting projects that can be leveraged by the IAASB and others.
• Explore ways to work better and faster and effectively manage our priorities, including considering the optimal size and composition of the board, frequency of meetings, and focus of discussions, and the most effective use of our resources.
• Develop formal project proposals for each ASB project that identify the public interest issues to be addressed and plans to address those issues, along with plans for outreach with key stakeholders during the course of the project.
• Consider ways to periodically evaluate or measure the effectiveness of our actions to carry out our strategic initiatives.

Initiative D: Keep our standards relevant in a changing environment.
Strategic actions — We will do the following:

• Continue to identify and monitor emerging technologies and how they are used by preparers and practitioners, through liaison with the Assurance Services Executive Committee and other AICPA committees and groups, as well as through feedback from stakeholders.
• Determine whether guidance is needed to promote or support the use of emerging technologies by practitioners and determine the best methods to provide such guidance.
• Monitor emerging service offerings and evaluate whether existing ASB standards sufficiently address such services. Continue to coordinate as necessary with the AICPA’s Professional Ethics Executive Committee regarding issues or concerns related to independence and other ethical requirements.

Initiative E: Support the effective implementation and application of our standards.

Strategic actions — We will do the following:

• Consider alternative ways to provide and promote access to materials available on the AICPA website to support the implementation and application of ASB standards.

• Evaluate the extent to which existing materials are valued by practitioners and what additional implementation guidance would be most helpful, including whether a variety of delivery models would help support different learning styles.

• Consider the need for a more formal post-implementation review of ASB standards to determine whether the standards are meeting the intended objectives. This could be done in connection with, or as a supplement to, related post-implementation reviews conducted by the IAASB.

• Work with AICPA groups and resources, such as the Peer Review Board and the Enhancing Audit Quality initiative, to determine the root cause of quality issues and to improve ASB awareness of issues that may warrant a need for revisions or interpretations to our standards or additional guidance for practitioners.
Our work plan for 2020–21

Our work plan, which takes into consideration the agendas of other standard-setters, both internationally and in the United States, is focused on the ongoing, timely identification of new issues that may affect our standards and on timely analysis and resolution of such issues. In prioritizing actions to address these matters that are expected to have a meaningful effect on our agenda over our strategy period, this work plan seeks to do the following:

- Provide a reasonable balance between the need for speed and quality of response.
- Prioritize the use of available resources.
- Illustrate the need for coordination with others.

Key guiding considerations

We will consider the following in determining the most appropriate action, and how such action should be prioritized.

- The significance of the benefits to the public interest, including the extent to which the action will further:
  - enhance the quality and benefits of audit and attestation engagements; or
  - facilitate high-quality financial and corporate reporting and enhance public confidence therein.
- The time needed to undertake effective action in light of emerging practice and market demands
- The degree of urgency for addressing the particular matter, including the potential implications for the public interest if action is not taken or is delayed
- The degree to which an identified issue would be addressed effectively through change to the standards or through other appropriate action
- The pervasiveness of the matter and the applicability of the potential actions in relation to nonissuer entities of different sizes and complexity and in different industries
Our work plan for 2020–21 (continued)

Our current work plan is presented below. This proposed work plan is our best estimate, at the time of publication of this consultation, for how we will progress the various projects. This plan is subject to changes, especially given the nature of the issues and the complexities of the projects.

The appendix sets out a description of each of the projects in the ASB’s Work Plan for 2020–21.

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<tr>
<th>Project</th>
<th>2020</th>
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<td>Jan</td>
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<tr>
<td>Revising and developing standards</td>
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<td>Examination and review attestation standards</td>
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<td>SAS No. 134 Conforming Amendments</td>
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<td>Audit Evidence (AU-C Section 500)</td>
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<td>Estimates (AU-C Section 540)</td>
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<td>Risk Assessment (AU-C Section 315)</td>
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<td>Management Specialists (AU-C Section 501)</td>
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<td>Quality Management (QC Section 10, AU-C Section 220)</td>
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<td>Group Audits (AU-C Section 600)</td>
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<td>Noncompliance With Laws and Regulations (NOCLAR)</td>
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<td>Outreach and research phase</td>
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<td>Compliance Frameworks (AU-C Section 800)</td>
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<td>Topic-Specific AT-C Sections (SOC Engagements and Internal Control)</td>
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Cells with an ✓ indicate that ASB meeting time is scheduled for a project, whereas the shaded cells indicate expected working group, task force or staff activity on a project. Cells with an E indicate the targeted publication of an exposure draft and cells with an F indicate the targeted finalization of a project.

1 AU-C, QC, and AT-C sections are codified in AICPA Professional Standards.
Appendix

Descriptions of projects and initiatives

Examination and review attestation standards
This project is to revise AT-C section 205, Examinations, and 210, Reviews. The most significant aspects of the proposed revisions are as follows:

• No longer require the practitioner to request a written assertion from the responsible party when the practitioner is reporting directly on the subject matter.

• More closely harmonize AT-C section 210 with the limited assurance provisions of International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other Than Audits and Reviews of Historical Financial Information, including changing the term review engagement to limited assurance engagement. The proposed revisions to AT-C section 210 more explicitly describe the types of procedures a practitioner may perform in a limited assurance engagement. These procedures are much the same as the procedures a practitioner may perform in an examination engagement, except that the nature, timing, and extent of those procedures are tailored to a limited assurance engagement.

• Require that the practitioner’s report for a review engagement include an informative summary of the work performed as a basis for the practitioner’s conclusion.

Targeted milestones
The ASB aims to finalize the revised standards in May 2020.

SAS No. 134 Conforming Amendments
This project is to revise all AU-C sections with reporting requirements to conform with the reporting requirements in Statement on Auditing Standards (SAS) No. 134, Auditor Reporting and Amendments, Including Amendments Addressing Disclosures in the Audit of Financial Statements. Conforming amendments are proposed to AU-C section 800, Special Considerations Audits of Financial Statements Prepared in Accordance With Special Purpose Frameworks; section 805, Special Considerations Audits of Single Financial Statements and Specific Elements, Accounts, or Items of a Financial Statement; section 810, Engagements to Report on Summary Financial Statements; section 930, Interim Financial Information; section 935, Compliance Audits; and section 940, An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements.

Targeted milestones
An exposure draft with proposed amendments to the AU-C 800 series was issued in August 2019. The ASB aims to issue an exposure draft with proposed amendments to the AU-C 900 series in November 2019 and to finalize the proposed amendments by May 2020.
Audit Evidence (AU-C Section 500)

This project is to revise AU-C section 500, *Audit Evidence*, to address the evolving nature of business and audit services and issues that have arisen since extant AU-C section 500 was originally issued. The issues arising include the use of emerging technologies by both preparers and auditors (for example, audit data analytics and use of blockchain), the application of professional skepticism, the expanding sources of information to be used as audit evidence, and more broadly, the accuracy, completeness, relevance and reliability of audit evidence. A key proposal is to expand the focus of AU-C section 500, including its objective, to be primarily on considering the attributes and factors of information that contribute to an assessment of whether sufficient appropriate audit evidence has been obtained. Extant AU-C section 500 focuses on audit procedures performed as a basis for assessing the sufficiency and appropriateness of audit evidence. The change in focus is proposed to be accomplished by establishing a multidimensional consideration of attributes and factors in evaluating such audit evidence.

**Targeted milestones**
The ASB aims to finalize the standard in January 2020, with the final standard being issued by March 2020.

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Auditing Accounting Estimates and Related Disclosures (AU-C Section 540)

This project to revise AU-C section 540, *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*, is intended to enable auditors to appropriately address the increasingly complex scenarios that arise today from new accounting standards that include estimates and related disclosures, and to enhance the auditor’s focus on factors driving estimation uncertainty and potential management bias. The proposed new SAS will converge with International Standard on Auditing (ISA) 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*, which was issued in October 2018, and take into consideration Auditing Standard (AS) No. 2501 (Revised), *Auditing Accounting Estimates, Including Fair Value Measurements, and Amendments to PCAOB Auditing Standards* (PCAOB Release No. 2018-005).

**Targeted milestones**
An exposure draft of proposed SAS *Auditing Accounting Estimates and Related Disclosures* was issued in August 2019. The ASB aims to issue a final SAS by summer 2020.

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2 PCAOB auditing standards can be found in PCAOB Standards and Related Rules.
Risk Assessment
(AU-C Section 315)
This project is to converge with ISA 315 (Revised), Identifying and Assessing the Risks of Material Misstatement, which the IAASB finalized at its September 2019 meeting. ISA 315 (Revised) includes more robust requirements and improved guidance to:

• drive consistent and effective identification and assessment of risks of material misstatement.

• modernize ISA 315 to meet evolving business needs, including information technology, and how auditors use automated tools and techniques, including data analytics, to perform risk assessment procedures.

• improve the standard’s applicability to entities across a wide spectrum of circumstances and complexities.

• focus auditors on exercising professional skepticism throughout the risk identification and assessment process.

Targeted milestones
The ASB aims to issue an exposure draft of proposed SAS Identifying and Assessing the Risks of Material Misstatement by summer 2020 and a final standard by summer 2021.

Management’s specialists
(AU-C Section 501)
This project is to relocate the content dealing with management’s specialists from AU-C section 500 to AU-C section 501, Audit Evidence — Specific Considerations for Selected Items, AU-C section 620, Using the Work of an Auditor’s Specialist or to a separate standard and to consider whether changes to our standards would be appropriate given the issuance of the PCAOB’s amendments to its auditing standards relating to the use of the work of specialists in an audit.

Targeted milestones
The ASB aims to issue an exposure draft in 2020 and a final standard by the end of 2021.
Quality management 
(QC Section 10, AU-C Section 220)

This project is to monitor, with the goal of convergence with the final standards issued, the IAASB project to address revisions to International Standard on Quality Management (ISQM) 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, and ISA 220 (Revised), Quality Management for an Audit of Financial Statements, and the development of a new standard for engagement quality reviews, International Standard on Quality Management (ISQM) 2, Engagement Quality Reviews. The purpose of the revisions to ISQM 1 is to improve firms' management of quality for all engagements performed under the IAASB's international standards. This will be achieved through the introduction of a risk-based approach to the management of quality and by strengthening various aspects of the standard, including governance and leadership, resources, information and communication, monitoring and remediation and networks. The new risk-based approach also aims to improve the scalability of the standard. ISQM 2 aims to strengthen and clarify various aspects of engagement quality reviews, including the engagements subject to such reviews, the eligibility criteria for engagement quality reviewers and the performance and documentation of the reviews. The revisions to ISA 220 include strengthening aspects of quality management at the individual engagement level.

Targeted milestones
The IAASB targeted date to finalize the new and revised standards is June 2020. The ASB intends to issue an exposure draft of proposed standards that converge with the final standards ISQM 1, ISQM 2, and ISA 220 (Revised), by January 2021, and to finalize the proposed standards in spring 2022.

Group Audits — Revision of ISA 600

This project is to monitor the IAASB project to revise ISA 600, Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors), with the goal of convergence with the final standards issued. The aim of the IAASB’s project is to strengthen the auditor’s approach to a group audit and clarify the role of ISA 600 in relation to other IAASB standards, such as ISQM 1, ISA 220 (Revised), ISA 315 (Revised) and ISA 330, The Auditor’s Responses to Assessed Risks.

Targeted milestones
The IAASB is working toward the following milestones:
• Exposure draft of revised ISA 600 — Targeted March 2020
• Final revised ISA 600 —Targeted June 2021

The ASB will begin drafting its proposed standard when the revised ISA is exposed.
Projects in the outreach and research phase

**Noncompliance With Laws and Regulations (NOCLAR)**
This project will explore providing guidance specific to the U.S. legal environment on applying revisions to the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants relating to noncompliance with laws and regulations.

**Compliance Frameworks (AU-C Section 800)**
This project will explore whether to introduce the concept of compliance frameworks into generally accepted auditing standards.

**Attestation Standards — Topic-Specific Sections: SOC Engagements and Internal Control**
These projects will explore developing topic-specific sections on performing SOC engagements other than those performed under AT-C section 320, *Reporting on an Examination of Controls at a Service Organization Relevant to User Entities’ Internal Control Over Financial Reporting*, and performing examinations of internal control under the attestation standards (that is, an examination of internal control that is not integrated with an audit of financial statements).
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