January 31, 2020

Ms. Sherry Hazel  
American Institute of Certified Public Accountants  
1345 Avenue of the Americas, 27th Floor  
New York, NY 10105  
USA

Re: ASB Proposed Strategy and Work Plan 2020-2021

Dear Ms. Hazel:

Deloitte & Touche LLP (“D&T,” “our,” or “we”) appreciates the opportunity to respond to the request for public comment from the Auditing Standards Board (ASB or the “Board”) of the American Institute of Certified Public Accountants (AICPA) on its Consultation Paper, Proposed Strategy and Work Plan 2020-2021 (“the Consultation Paper”).

We commend the ASB for issuing a public document outlining its strategic initiatives and actions, as well as soliciting input beyond its own members on the prioritization of future projects. Broadly sharing planned actions and seeking external feedback contributes to the transparency with which the ASB develops its professional standards and guidance, and further demonstrates the Board’s commitment to engaging with stakeholders in achieving its standard setting responsibilities. We value the opportunity to be among the stakeholders that provide input and recommendations to the ASB.

RESPONSE TO REQUEST FOR COMMENTS

Whether:

1. You agree with Our Mission and Keys to our Success, as well as the Factors Driving Our Strategy.

D&T is supportive of the ASB’s Mission and Keys to Success as set forth in the Consultation Paper, with the following recommendation to include a reference to the strategic initiative to support the effective implementation of ASB standards, and other suggested editorial changes:

Serve the public interest by developing, updating and communicating, and supporting the implementation of comprehensive standards and guidance which are: issued on a timely basis, relevant to the changing business environment, and that enable practitioners to effectively and efficiently provide high-quality, objective audit and attestation services to nonissuers effectively and efficiently.
Further, D&T believes that the following Factors Driving Our Strategy, as set forth in the Consultation Paper, are relevant and provide an appropriate and sound foundation for the development of the ASB’s Strategy and Work Plan:

- Advancement in, and use of, technology
- Increasing complexity and its implications
- Changing information needs of users
- Changing expectations of stakeholders.

Each of these factors focuses on the evolving nature of our environment and anticipated future challenges. By ensuring that the Board’s strategic actions are shaped by these drivers, D&T believes that the ASB will continue to foster confidence in its work through activities that are responsive to the needs of its stakeholders.

We also noted that these factors are identical to the Environmental Drivers included in the Strategy and Work Plan issued by the International Auditing and Assurance Standards Board (IAASB) in 2019, and fully support this harmonization, as it demonstrates the close collaboration between both Boards, which we believe is crucial in the development of high-quality standards which can be consistently applied by practitioners.

2. You agree with Our Strategic Initiatives and Our Strategic Actions.

We are fully supportive of the ASB’s attention to the public interest, as well as goals to expand connection and collaboration with stakeholders, strategically transform its internal processes, address changes in the business environment within its standards, and guide practitioners through implementation of those standards.

Specific comments on each of the Strategic Initiatives follows.

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

**IAASB:**

D&T strongly believes in the importance of convergence with the standards of the IAASB, as differences in auditing standards for private entities only causes increased complexity for practitioners and firms in developing global methodologies and training personnel. Differences also cause confusion amongst practitioners, which decreases audit quality because of inconsistency in application of standards. In areas which the ASB intentionally determines it is appropriate to not converge with the IAASB, for transparency purposes we recommend that the ASB communicate publicly why those decisions were made, and what specific differences in procedures or considerations are to be performed when complying with ASB standards. In addition, for clarity and educational purposes, we suggest updating the listing of differences between the International Standards on Auditing and the clarified AU-Cs on the AICPA website, and continuing to add to it, as more differences are introduced.

Another opportunity the ASB can create for improved convergence (and efficient execution of projects given constrained resources), would be to “team” with the IAASB on joint projects, instead of the IAASB or the Board being ahead of or behind the other. Alternatively, the ASB could seek areas for ASB members to participate on IAASB task forces as observers or share staff resources (e.g., select either an IAASB or ASB staff for one project that includes members from both the IAASB and the Board), so as to achieve a greater overall workload.

**Advisory Board:**
D&T does not believe it is necessary to create an external Advisory Board to provide input on the ASB agenda, as the Audit Issues Task Force (AITF) is well-positioned and established to provide this type of advice and direction. Instead, we suggest expanding the role of the members of the AITF so as to be better informed of possible areas of need in standard setting by (1) increasing their direct engagement with multiple stakeholders to identify their most pressing needs and (2) more closely monitoring projects underway or being considered by other standard setters, and present information gathered to the Board when work plans are being established.

Further input from Small- and Medium-Sized Practices (SMPs) on scalability for “less complex entities“:

While D&T acknowledges it is important to gather further input from SMPs regarding scalability for audits of “less complex entities,” we believe that guidance on scalability can be equally important for entities which are not strictly “less complex.” We recommend that the ASB focus on providing guidance to SMPs on the role that a well-thought out risk assessment plays in scaling procedures for differing levels of risk, regardless of the complexity of the entity.

We suggest that the ASB look to other means of supporting SMPs in the execution of professional standards, particularly in providing resources and guidance to SMPs that they likely don’t have access to (as opposed to larger firms that may have easier access to such resources); for example, tools and guidance related to effectively and efficiently performing risk assessments. If possible, it would be highly beneficial for the AICPA to partner with firms to develop automated tools that can be made available to their broad constituents, as this would greatly assist SMPs that are resource constrained to take advantage of innovative, cutting-edge technologies.

Initiative B: Enhance communications with our stakeholders.

IAASB:

As noted in our comments to Initiative A, D&T strongly believes that deep coordination with the IAASB is of utmost importance. The more the ASB collaborates with the IAASB on a pro-active basis, the less that the Board will need to debate wording or application of standards “after the fact.” We believe that it is most beneficial to all parties to form joint task forces and closely work through projects and issues together, so that the IAASB and ASB don’t find themselves “out of synch” with each other – as this can lead to unnecessary differences, causing challenges for firms to implement a consistent approach and confusion amongst practitioners.

Other stakeholders:

Because of changing environment and evolving business needs, D&T recommends that the ASB challenge who they consider to be their stakeholders, and ensure they are engaging with the people and groups who are likely to be the most invested in, or affected by, the work of the Board. One example might be academics who may provide input on concepts that are most difficult for students to understand and where clarification from the Board would be helpful. We also fully support direct outreach by ASB members to these stakeholders, as it is an opportunity to get exposure and build eminence, both for the individual member as well as for the ASB overall.

Communication with stakeholders should be two-way – the ASB should inform others of their current agenda, plans and projects, as well as listen to their needs and determine whether the work of others can be leveraged for ASB projects. Use of technology is another way to more easily gather input – by online surveys or other automated means.

Initiative C: Think and operate more strategically.

Composition of Board:
When considering the optimal size and composition of the Board, D&T recommends that the ASB balance the desire to allow for many different viewpoints with the goal of being more nimble in developing standards. The larger the Board grows in number of members, likely so will the time to review and gain consensus before issuing a standard.

**Frequency of meetings:**

D&T believes more frequent “meetings” of the Board will allow for timely discussions of issues and enable projects to advance more quickly. However, we acknowledge that being a member of the Board is a volunteer position and are not proposing to significantly increase the time commitment required to attend meetings. Instead, we encourage the ASB members to connect on a monthly basis through the continued use of video conference calls as a cost-effective alternative to physical meetings. We suggest that the duration of these video conferences be limited to one or two topics, and hope that, by nature of keeping discussions fresh and resolving issues early, the length of physical meetings can be reduced. Planning video conference calls should take into consideration time zones across the country, to accommodate schedules of both ASB members and observers who wish to participate or listen to these calls live.

**Collaboration:**

As mentioned above, D&T believes increased collaboration with the IAASB and other standard setters is a strategic operating model, taking advantage of shared resources and combined thought leadership to generate an end product that is capable of adoption in multiple jurisdictions, and that will sponsor consistent high-quality audit execution.

**Project proposals:**

D&T believes it is important to develop a formal project proposal prior to embarking on any new activities related to a given topic. While we do not wish to substantially extend the timeline for any project, there are distinct advantages to identifying the objectives of a project, the public interest issues it is addressing, key stakeholders, and opportunities for collaboration. We also recommend that each task force revisit the project proposal iteratively throughout the project, to ensure that activities undertaken and the resulting work product achieve the goals set forth at the outset, without overstepping the confines of the original objectives.

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

**Address evolving technology:**

Understanding, anticipating, and addressing the impact of changes in use of technology for preparers, practitioners and users are the most challenging issues facing our profession, especially related to obtaining and analyzing data. In order to proactively keep pace with the various new and “ground-breaking” automated tools and techniques used to perform procedures and the manner in which resulting evidence is obtained and analyzed, the ASB needs to be well-informed of possible risks or opportunities so as to provide practitioners with much-needed guidance.

In order to have an appropriate base of knowledge regarding the use of data and automation with which to develop relevant and helpful materials for practitioners, D&T strongly recommends a combination of the following:

- Hiring additional resources for AICPA staff with specific expertise in technology, so as to have “in-house” skills on emerging technologies
- Using subject matter experts from firms or industry to provide advance education to ASB members and AICPA staff ahead of project development
- Involving technology experts from stakeholders to review standards as they are being developed, so as to provide modern guidance and examples
• Coordinating with existing AICPA task forces that focus on emerging technologies and related issues.

Tied into our suggestions on closer coordination and sharing resources with the IAASB, it may be possible for the IAASB and ASB to jointly seek out experts with data analytic skills and other technology backgrounds.

**Monitor emerging service offerings and related ASB standards:**

The ASB is striving to maintain the relevance, credibility, and value of the services provided by our profession, especially as the information needs of users continues to expand and the demand for new, and sometimes unconventional, service offerings increases. D&T believes it is critical that the ASB be closely connected to the work of the Assurance Services Executive Committee (ASEC), to ensure that the ASB’s standards and guidance remain “fit for purpose.” While the ASEC can develop its own thought leadership, guidance, criteria or tools to support practitioners in addressing significant developments related to emerging assurance and advisory needs, in some cases it may be necessary for the ASB to update or develop its own standards.

The standards of the ASB should provide flexibility, clarity, and consistency in how numerous engagements may be structured and delivered. However, projects to revise or create new standards should be undertaken only if it is not possible to issue guidance illustrating how existing AU-Cs and/or AT-Cs can be adapted for evolving circumstances and new services.

Careful consideration should also be given to maintaining independence in fact and appearance while conducting any new service offerings, which requires closely coordination with the AICPA’s Professional Ethics Executive Committee to determine if revisions to existing independence requirements are needed.

**Initiative E: Support effective implementation of our standards.**

**Root cause analysis:**

D&T supports teaming with other AICPA groups and resources to determine the root cause of quality issues as they arise. We believe that results of this type of analysis can assist the ASB in identifying areas of focus in standard setting.

**Post-implementation reviews:**

D&T recognizes that the delivery of standards is only the first step in achieving the ASB mission of enabling practitioners to provide high-quality audit and attestation services to nonissuers effectively and efficiently. We believe that consistency in execution demonstrates the understandability and success of a standard. Accordingly, we do support a more formal post-implementation review of ASB standards. However, in order to be cost-effective and efficient in such review, we again recommend teaming with the IAASB to share resources and identify how best to assess implementation. As part of these reviews, we suggest inquiring of practitioners as to what other guidance would be most helpful to them as they execute against the ASB standards.

**AICPA website:**

D&T commends the ASB on its recent “At a Glance” publications which accompanied the issuance of new and revised standards on the AICPA website in 2019. These straightforward, one-page documents provide practitioners with important insights (What happened?), highlights of the standards (What changed?), and useful guidance (Next steps), and we hope to see more of them in the future.

To provide more visibility to ASB materials on the AICPA website, we recommend creating a resource page dedicated to the ASB which includes a space for each project/standard and corresponding documents: project proposal (for in-progress projects), final standard, At a Glance document, and PowerPoint presentations developed by AICPA staff which can be leveraged to
educate preparers and practitioners on new developments and resulting impact to each stakeholder.

We understand that the AICPA has a project underway for a “user experience designer” to conduct research on enhancing their website. We commend this effort and also suggest reviewing the IAASB and PCAOB websites for ideas for improved organization and presentation of materials for practitioners.

3. You agree with the activities that have been identified in our detailed Work Plan for 2020-21.

D&T is highly supportive of the foundational auditing-related projects outlined in the Work Plan (Estimates, Risk Assessment, Quality Management, and Group Audits) both because they are areas of needed guidance in practice, and because of the alignment with the projects of the IAASB.

In addition, as the information preparers are providing outside of the financial statements continues to grow, the more that investors and other stakeholders are using this information to make economic decisions. In order for the ASB to continue to evolve its standards to enable the profession to (1) remain relevant in this changing business environment, and (2) perform services for clients that serve the public interest while remaining objective and independent, it is important to continue the ASB’s focus on emerging assurance services, especially through interaction with the ASEC. We do, however, note that this focus must be balanced with the needs of addressing pressing audit quality concerns as they arise.

We do not believe that the ASB should prioritize projects on Noncompliance with Laws and Regulations or on the Compliance Frameworks (AU-C Section 800). We do not see a pressing need for revisions in these areas and feel strongly that ASB resources would be put to better use on projects related to improving audit quality and enabling the provision of emerging services.

As a general rule, in determining and prioritizing specific actions to be taken by the ASB, we believe that the primary focus should be placed on (a) the significance of the benefits to the public interest, as well as (b) the degree to which an identified issue would be addressed effectively through a change to the standards, or through other appropriate action by the ASB, including issuance of non-authoritative guidance which can be made available to practitioners on a more timely basis.

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

D&T recommends that the ASB leverage its close relationships with the Financial Accounting Standards Board and Governmental Accounting Standards Boards to identify any standard setting projects that may be of benefit to stakeholders in the United States. One potential project to consider is working with the Government Accountability Office and the Office of Management and Budget to refresh AU-C section 935, Compliance Audits, (beyond the changes to reporting requirements which will be addressed as part of SAS No. 134 conforming amendments).

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D&T would be pleased to discuss our letter with you at your convenience. If you have any further questions, please contact Dora Burzenski at +1 206 716 7881.

Sincerely,

[Signature]

Deloitte & Touche LLP

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