June 4, 2019

Mr. Willie Botha
Technical Director
International Auditing and Assurance Standards Board
529 Fifth Avenue
New York, NY 10017

Re: Consultation Paper: Proposed Strategy for 2020-2023 and Work Plan for 2020-2021

Dear Mr. Botha:

The American Institute of Certified Public Accountants (AICPA) Auditing Standards Board (ASB) is pleased to respond to the International Auditing and Assurance Standards Board's (IAASB) above referenced consultation paper.

The AICPA is the world's largest member association representing the accounting profession, with more than 431,000 members in 143 countries and a history of serving the public interest since 1887. AICPA members represent many areas of practice, including business and industry, public practice, government, education, and consulting. Among other things, the AICPA sets ethical standards for the profession and U.S. auditing standards (generally accepted auditing standards or GAAS); attestation standards (Statements on Standards for Attestation Engagements or SSAEs); and standards for financial statement preparation, compilation, and review engagements (Statements on Standards for Accounting and Review Services or SSARSs) for private companies, nonprofit organizations, and federal, state and local governments (nonissuers).

Overall, we support the Strategy and Work Plan proposed in the Consultation Paper. We also support the framework used to develop the strategy paper, in particular recognition of the evolving environment and the fit-for-purpose trends noted. We appreciate that the proposals are responsive to views expressed by National Standards-setters (NSS) and respondents of the strategy survey, and in particular, appreciate the intent to enhance collaboration with NSSs including developing supporting guidance.

Implementation support (Themes A and D, and Work Plan)

We appreciate the commitment expressed in the paper to a focus on the implementation of changes to the standards, and to working with others as necessary to support effective and efficient adoption. We agree that supporting the timely and effective implementation of the IAASB's standards is key to the achievement of the quality assurance services these standards are intended to support.

We have noted certain concerns however in achieving the proposal's objectives including certain lack of specificity that we believe would be helpful, including the followings:

- The Framework for Activities includes Board activities to support the implementation of new and revised standards by developing supporting materials. However, the Work Plan does not include any scheduled time for implementation activities. Footnote 4 notes that "Due to the uncertain

nature of the implementation activities at this time, specific Board discussions have not been presented. However, it is likely during the period of activity there will be Board plenary discussions, and this will be determined as the implementation support activities are developed for each project."

We understand that specific timing for discussing implementation activities for each project cannot be predicted. But no time has been allotted for plenary discussion of any implementation activities, regardless of the project, despite the admission that time will be needed for Board plenary discussions. Without a placeholder in the Work Plan for Board plenary sessions on implementation activities, the time available for Board plenary sessions, as well as staff time for such implementation activities, may be allocated to other things.

- Theme D includes the strategic action of "developing non-authoritative practical guidance." We applaud this initiative, however as mentioned above, believe a key to successfully achieving this action is to allocate Board agenda time and staff resources within the Work Plan for the development of such guidance.

We recommend that the detailed Work Plan shown on pages 15 and 16 include a placeholder for implementation activities, including the development of non-authoritative guidance.

We also recommend that consideration of the need for implementation guidance be included as part of each project proposal and the time to develop implementation guidance be included as part of each project timeline, including, where possible, that implementation guidance be prepared as the standard is developed. For example, during the drafting of the Quality Management standards prior to the issuance of the EDs, the need for implementation support was identified, based on the extent of the changes and the nature of the issues that resulted in the project's adoption.

Theme B

FURTHER CHALLENGE AND ENHANCE THE FUNDAMENTALS OF OUR INTERNATIONAL STANDARDS.

Theme B includes assessing as possible topics for future action expectations around the role of auditors in connection with fraud, non-compliance with laws and regulations (NOCLAR), and going concern as possible topics. We are concerned that by including this under the "revising standards" theme, the IAASB may itself be creating expectations that issues with respect to these areas can be resolved by revisions to the ISAs. We commend the IAASB for considering addressing these expectations, recognizing that these are important issues to stakeholders and regulators. We recommend that this theme also recognize that considering revisions to the standards needs to be considered within the reasonable assurance framework. Expanding auditor responsibility with the current framework in a cost effective manner will be quite the challenge. We strongly recommend that the IAASB leverage the experiences and current projects certain NSS are contemplating, recognizing that the implication to the auditor for expanding responsibility in any of these areas will be significantly impacted by jurisdictional considerations.

Theme C

DEVELOP WAYS TO ADDRESS COMPLEXITY, WHILE MAINTAINING SCALABILITY AND PROPORTIONALITY

We welcome this theme and believe achieving this to indeed be a key to the IAASB's success in achieving many of its objectives over the next several years.

The description on page 9 focuses on balancing complexity and scalability, but the strategic actions on page 11 seem much more focused on scalability. Keeping that balance in this theme is necessary to avoid inadvertently reducing the effectiveness of the standards as applied to audits of less complex entities that nonetheless may occasionally include a complex issue.

Of concern is not just the complexity of situations encountered in audits but also the complexity of the standards themselves. Many respondents to the exposure drafts of ISA 540 and ISA 315 expressed concern about the complexity of these proposed standards. We support the development of clearly-articulated standards and believe that standards that are understandable, clear, and capable of consistent application will help address concerns about complexity and scalability. We commend the IAASB for responding to comments received on ISA 315 by discussing "drafting conventions" that might be used to streamline the requirements in that standard. If such drafting conventions prove appropriate they should be used in all the IAASB standards. We also suggest the IAASB consider revisiting its drafting conventions as developing clear, understandable standards may be achieved through better leveraging staff and in some instances work already done by an NSS.

With respect to the objective to "Commit to continue considering how to develop standards and guidance that is clearly articulated…" we believe the intent of the IAASB is to convey that the IAASB is currently working to develop standards and guidance that is clearly articulated and is currently committed to this effort. However, we are concerned that readers may infer, erroneously, that the word "commit" means this is a future action of the IAASB and the IAASB is not currently committed to this action. Wording such as the following would be less open to misinterpretation: "Determine how to develop principle-based standards and guidance that is understandable, clear, and capable of consistent application in a wide variety of circumstances."

Theme D
STRENGTHEN AND BROADEN OUR CAPABILITY AND CAPACITY TO RESPOND BY INNOVATING OUR WAYS OF WORKING

We support this theme and the proposed strategic actions.

We believe that the actions proposed for narrow scope maintenance of standards have the potential to result in a quicker response than revising the standards.

One of the criticisms of the IAASB coming from the Monitoring Group is that projects take too long. For example, the Explanatory Memorandum for the Quality Management EDs notes that the concerns about quality control were first identified in 2013-2014, and final standards are expected to be approved in March 2020. Between time until the approved standards are issued, and an 18-24-month implementation period, it will be more than ten years from identification of concerns to the effective date of new standards. Balancing the call for shortening the standard-setting process against the need to perform due process is a challenge. We are concerned that the description of the information-gathering and research phase, which must be completed for any other work to begin, includes no mention of what the targeted timing or duration would be for getting standards to market. The point at which sufficient research has

been performed to justify developing changes or a new standard will vary but for certain projects may be sooner than the IAASB currently recognizes. Likewise, as previously noted, adopting drafting conventions that result in more clearly-articulated standards may shorten Board time spent on page-turning.

One of the steps in the standard-setting process that takes time is implementation of revised standards by firms; time to understand what has changed, time to revise methodologies, and time to train personnel on the new standards. Perhaps development of implementation guidance concurrently with drafting of the standards, as discussed above, could help in that regard.

Mechanisms for addressing issues and challenges on a timelier basis might include forming a rapid response subcommittee or utilizing the Steering Committee for that role. This rapid response group could, for example, help (1) evaluate topics or issues raised by various stakeholders for potential consideration by the Board and (2) identify ways of addressing emerging audit and attestation practice issues. This may also be an area where leveraging/sharing activities and materials developed by NSS would be useful.

Theme E
DEEPEN OUR CONNECTIVITY AND COLLABORATION OPPORTUNITIES

We support continued interaction with the IAASB Consultative Advisory Group (CAG). We agree with the suggestion by the CAG chair at a recent IAASB meeting, that IAASB task forces developing proposed standards engage the CAG on an ad hoc basis to consult on key issues they arise.

We support the IAASB's efforts to enhance collaboration with IFAC and its various committees (for example IESBA) where such collaboration would be meaningful. However, we would want to ensure that this can be achieved while still maintaining the independence of IFAC's standard-setting boards.

The strategic actions on page 13 only mention users once, in a list of stakeholders represented on the CAG. Because users of financial statements are a big driver of the demand for reports issued under the ISAs, we recommend more robust engagement with, including specific outreach to, that stakeholder group.

In leveraging the work of the IAASB Data Analytics Working Group and performing various outreach and research activities, we noted that firms are already using automated tools and techniques. However, how the results of using those tools can effectively be used in an audit is still a question for many firms. Developing the AICPA Guide to Audit Data Analytics revealed that the wording of requirements of the ISAs does not encourage the use of ADAs and may inhibit their adoption by firms. We agree with the criteria set forth in Appendix 2, *Framework for Activities,* for starting a new standard-setting project, and with regard to a project to revise ISA 500, *Audit Evidence*, we believe that sufficient information is available that indicates:

- The benefits to the public interest will enhance the public's trust in audits of financial statements;
- The issues are pervasive and affect the global profession;
- It is in the public interest to undertake the work, and not delay it; and

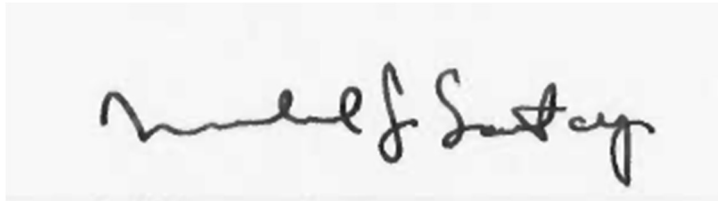- It is feasible to undertake the work within a realistic timeframe.

Accordingly, the ASB has begun a project to revise US GAAS, specifically AU-C section 500, *Audit Evidence*.

We believe that the AICPA audit evidence project offers the IAASB the opportunity to leverage the implement some of its proposed strategic actions and achieve some strategic goals

- Collaboration with NSS
- Identifying and utilizing external resources available to the IAASB
- Leveraging the work of others in the research phrase to recognize when a revision of a standard is necessary.
- Increase speed of a standard-setting project without diminishing the quality of the response

Thank you for the opportunity to comment on this Consultation Paper. If you have any questions regarding the comments in this comment letter, please contact me at Mike.Santay@us.gt.com or Bob Dohrer at bob.dohrer@aicpa-cima.com.

Respectfully submitted,

/s/ Michael J. Santay

Chair, Auditing Standards Board