



April 4, 2011

Mr. James Gunn
Technical Director
International Audit and Assurance Standards Board
545 Fifth Avenue, 14th Floor
New York, NY 10017

Re: Exposure Draft: Proposed IAASB Strategy and Work Program for 2012–2014

Dear Mr. Gunn:

The American Institute of Certified Public Accountants (AICPA) is pleased to comment on the International Auditing and Assurance Standards Board's (IAASB) Proposed IAASB Strategy and Work Program for 2012–2014.

Request for Specific Comments

1. The IAASB invites comments on any aspect of the proposed strategy and possible actions to implement the proposed strategy. In particular, it would be helpful if respondents' comments could include the following:
 - a. Whether the IAASB's three areas of strategic focus noted in paragraphs 7–11 remain appropriate;

Response: We believe that the areas of strategic focus identified in paragraphs 7-11 remain appropriate.

- b. Whether the list of anticipated projects likely to commence in 2012–2014 (Column B) adequately address issues currently facing the accounting and auditing professions, in particular:
 - i. Whether respondents support the IAASB undertaking work in these areas and, if not, the reasons why a particular project(s) would not be supported;
 - ii. Whether respondents believe these projects are consistent with the IAASB's three areas of strategic focus; and
 - iii. How these anticipated projects should be prioritized in light of the current projects (Column A).

Decisions on the scope and planned output of each of the projects listed in Column B would be undertaken following the development and approval of a project proposal, with full IAASB and IAASB CAG consultation in accordance with the IAASB's due process and working procedures.

Response: We believe the list of anticipated projects likely to commence in 2012–2014 adequately addresses issues currently facing the accounting and auditing professions except for C.8, which we believe should be moved under column B. We recognize that some additional projects from column C may become column B projects depending on feedback from the monitoring project as well as other inputs from NSS and other bodies.

- c. With respect to the additional projects (Column C):
 - i. (Which of the suggestions, if any, should be considered for inclusion on the future work program, and how should these be prioritized in light of the current projects (Column A) and anticipated projects likely to commence in 2012–2014 (Column B); and
 - ii. (Whether any particular project(s) in Column C would not be supported; and
- d. Whether there are additional actions or projects that respondents believe should be addressed, and, if so, how these should be prioritized in relation to the projects identified in Columns B and C.

Response: Generally, we support these additional projects with the following comments and observations:

C.2 – We question the value of a project merely on preliminary announcements as we believe that regulatory procedures could be very different across national jurisdictions. Additionally, we suspect that “auditor association” requirements and standards may also be quite different. Finally, since this type of project would be narrow to listed companies only, we question its usefulness to IAASB’s broad users.

C.3, 4 and 5 – We support the development of these assurance projects assuming that there are suitable criteria. Before IAASB begins work on these assurance projects, we recommend that staff determine that there would be suitable criteria in place and that such criteria could be used across many national jurisdictions.

C.6 – While we support such a project, we believe that any final standard should be consistent with integrated audit standards already in existence and being used by many auditors. For example, in the U.S. we have integrated audit standards for public companies and private companies that are consistent. It would be of little value to the U.S. if an internal control audit standard was developed that would be inconsistent with our current practices and policies.

As to additional projects, we suggest that the IAASB consider adding to Column C implementation guidance around the new review and compilation standards. Given our understanding that these unaudited services may be new for many countries, we believe SMP units would benefit from such guidance.

- 2. The IAASB intends to devote the majority of its efforts on the projects in Column A through 2011 and into 2012 and beyond to progress these projects on a timely basis. If respondents support commencing the majority of the anticipated projects (Column B), the IAASB currently anticipates it will have resources and time to commence 3 further new projects, although substantive activity for these new projects would not be expected to commence before 2013.

Respondents are therefore specifically asked to select the top three projects either from, or in addition to, the list of suggestions for additional projects (Column C) that they believe would best meet the IAASB’s public interest mandate. However, outreach activities, the findings of the ISA

Implementation Monitoring project, the fundamental debates about the role of the auditor, and unforeseen events beyond the IAASB's control may require the IAASB to amend its Work Program or reprioritize its agenda.

Response: We believe the following projects are of the highest priority:

1. Updating IAPS 1004 (item C.1)—in light of the recent financial crisis, we believe that auditors may be called upon to address some of the issues that arose during the crisis. Therefore, additional guidance on the audits of banks is a priority.
2. Evaluating the need for a new ISAE on internal control (item C.6)—in recent years, local jurisdictions have enacted requirements imposing audits of internal control in conjunction with the audits of financial statements. A new ISAE on auditing internal control would promote consistency globally.
3. Developing action plan to assist ISQC1 implementation for smaller firms (item C.8)—we believe that developing guidance to assist smaller firms in implementing ISQC1 will enhance audit quality. Therefore, we believe it is a priority.
4. The IAASB notes that, depending on the priorities identified by respondents, the balance of the IAASB's future time spent on auditing and implementation of the ISAs as compared to development of new assurance standards may vary significantly. For this reason, it would also be helpful to understand which one project (either from Column B, Column C or an additional action not included in either column) respondents would identify as the IAASB's top priority, in order for the IAASB to consider how each of the three areas of strategic focus would be addressed in the future Work Program.

Response: We believe that the project of the highest priority is concluding on actions to be taken with respect to the auditor's report project. Because of the perceived gap between the expectations in the marketplace and the auditor's work, we believe that developing concrete action to address the auditor's report remains a top priority.

5. In addition, the IAASB would welcome comments from respondents as to the following:
 - a. What types of publications or further implementation guidance may be of most use to facilitate the adoption and implementation of the IAASB's pronouncements; and

Response: We believe that an IAPS is the most useful implementation guidance tool to address more complex topics. We also believe that risk alert publications are useful publications to address less complex issues and a good vehicle to provide readers periodic updates. Finally, we believe that interpretative guidance in the form of questions and answers would be beneficial to practitioners to address more specific issues.

- b. What opportunities may exist for the IAASB to partner with others to facilitate implementation of the clarified ISAs (for example, IFAC member bodies, NSS, training organizations, and others)?

Response: AICPA members have benefited from the full suite of implementation guidance materials that the AICPA has developed. We would be pleased to partner with the IAASB in projects that might be of interest to the IAASB.

Thank you for the opportunity to comment on this exposure draft. If you have any questions regarding the comments in this letter, please contact Mr. Hiram Hasty at +1-212-596-6011, hhasty@aicpa.org.

Respectfully submitted,

/s/ Darrel R. Schubert

Chair, Auditing Standards Board