

January 27, 2020

Sherry Hazel
ASB Strategy Task Force
Via email: commentletters@aicpa-cima.com

Re: Request for Comment

AICPA Proposed Strategy and Work Plan

The California Society of CPA's ("CalCPA") Accounting Principles and Assurance Services Committee (the "Committee") is the senior technical committee of CalCPA. CalCPA has approximately 45,000 members. The Committee consists of 50 members, of whom 45 percent are from local or regional firms, 32 percent are from large multi-office CPA firms, 12 percent are sole practitioners in public practice, 6 percent are in academia and 5 percent are in international firms. Members of the Committee are with CPA firms serving a large number of public and nonpublic business entities, as well as many non-business entities such as not-for-profits, pension plans and governmental organizations.

The Committee has the following comments:

Item 1: Do you agree with "Our mission and keys to our success" as well as the "Factors driving our strategy"?

Response: We generally agree with the mission of the Auditing Standards Board ("ASB" or "Board"). As stated, the mission and keys to success is broad enough to capture the conceptual foundation of creating value through inspiring public trust. We believe that public trust results from credibility and that the "keys to success" could be expanded to include the important role of the ASB in ensuring that auditing and attestation standards are applied consistently between individual engagements and auditors.

Issues such as ensuring scalability in audit standards, particularly as it relates to those developed by the *International Auditing and Assurance Standards Board* ("IAASB"), would then fall more clearly within the mission and responsibility of the ASB. In addition, we suggest that the scope "audit and attestation services to non-issuers" should be expanded to include all audit and attestation services not within the purview of the Public Company Accounting Oversight Board ("PCAOB").

With respect to the "keys to our success" we generally agree with the factors noted but do not see a clear link between the overall mission and the specific objective of contributing to high quality international standards issued by the IAASB. It is not clear to us why the Board's key metric of "contributing to the development of high-quality international auditing and assurance

standards” is considered relevant. We would welcome further explanation of the Board’s intention in this area.

For example, with respect to convergence of standards between the US and countries that have adopted IAASB standards, we are uncertain as to the Board’s goals and how it sees it’s mission in relation to the mission of the IAASB. If the Board’s goal is to assist the IAASB in researching and developing new standards and then to adopt them with few modifications, it should state as much. We would also like to know more of the reasoning behind this approach as it is not apparent to us from this document.

With respect to the “factors driving the strategy”, we would like to know more about the relative weight of these factors in developing the strategy and a bit more detail about each one. For example, with respect to the relative importance, is the use of technology by auditors in the audit process considered as much as a challenge as “increasing complexity” in financial reporting standards? In addition, we would like to know more about what is meant about “changing stakeholders’ expectations” in relation to the detection and reporting of fraud. What is the observation by the ASB that there has been a change?

Question 2: Do you agree with “Our strategic initiatives” and “Our strategic actions”

Response: We largely agree with the stated strategic initiatives, particularly Initiative E, supporting the effective application of standards on engagements for less complex entities. We support many of the specific strategic actions related to (a) formation of an advisory body to provide more timely and complete input from stakeholders such as lenders and investors, (b) establishing an ongoing mechanism for obtaining input from SMP’s, (c) vetting project proposals for each ASB project to identify the public interest to be addressed, (d) evaluating existing guidance material for usefulness, and (e) working with the Peer Review Board to determine the root cause of quality issues and to improve the ASB awareness of issues that may warrant attention through revisions to standards, interpretations or additional guidance for practitioners.

With regard to the convergence objective, we would point out that the IAASB writes standards for listed as well as private entities as there is no PCAOB on the international scene. We believe there are a number of relevant consequences for the ASB to consider. First, to the extent that the ASB assists the IAASB in its activities, some ASB resources may be used in areas not directly related to its mission or in fulfilling its priorities. Second, striving for convergence, for the sole purpose of convergence, may be contrary to Initiatives C and E. For example, while the IAASB deliberates important issues such as scalability for audits of private and less complex entities, some emerging needs or issues in the US may not be met. An example may include placing a higher priority on additional guidance around risk assessment.

Finally, one additional comment on convergence; our committee has debated and are of mixed views as to the scalability of new standards proposed by the IAASB. We are in agreement, however, that all new standards issued by the ASB should be rigorously evaluated for usefulness and clear applicability to non-issuers.

Question 3: Do you agree with the activities that have been identified in our detailed Work Plan for 2020-21? If you do not agree with the work plan, what other activities do you believe the ASB should prioritize?

Response: We agree with the key guiding considerations, particularly related to the pervasiveness of the matter and the applicability of the potential action to non-issuers of varying sizes and complexity. We agree with the specific projects on the work plan.

Question 4: Are there any other topics that the ASB should consider in determining its strategy and work plan?

Response: No additional comments.

Additional Matters

We thank you for the opportunity to comment on these matters. We would be glad to discuss our opinions with you further should you have any questions or require additional information.

Sincerely,

A handwritten signature in cursive script that reads "Nancy Rix".

Nancy A. Rix, Chair
Accounting Principles and Assurance Services Committee
California Society of Certified Public Accountants