
STRATEGIC PLAN:

AICPA INTERNATIONAL ACTIVITIES

International Strategy Committee
February 2002

Table of Contents

BACKGROUND.....	4
ABOUT THE INTERNATIONAL STRATEGY COMMITTEE.....	4
ABOUT THE STRATEGIC PLAN	4
<i>Scope</i>	4
<i>Process Used</i>	5
<i>Description of Contents</i>	5
OVERALL VISION AND STRATEGIC OBJECTIVE	6
INTRODUCTION	6
OVERALL VISION.....	6
<i>The World Environment (2005 - 2010)</i>	6
<i>The U.S. Environment (2005–2010)</i>	7
OVERALL STRATEGIC OBJECTIVE.....	7
INTERNATIONAL ACCOUNTING STANDARDS	9
VISION FOR THE YEAR 2005	9
<i>The International Accounting Standards Board</i>	9
<i>Status of the International Organization of Securities Commissions (IOSCO) and National Regulator Cooperation and Endorsement</i>	9
<i>The Role of National Standards-Setting Bodies</i>	9
<i>The AICPA Role and Contribution</i>	10
STRATEGIC OBJECTIVES	10
INTERNATIONAL AUDITING AND ASSURANCE STANDARDS	13
VISION FOR THE YEAR 2005	13
<i>The International Auditing and Assurance Standards Board</i>	13
<i>Status of IOSCO and National Regulator Cooperation and Endorsement</i>	13
<i>The Role of National Standards-Setting Bodies</i>	14
<i>The AICPA Role and Contribution</i>	14
STRATEGIC OBJECTIVES	14
INTERNATIONAL ETHICS STANDARDS.....	19
VISION FOR THE YEAR 2005	19
<i>The Ethics Committee</i>	19
<i>Status of IOSCO and National Regulator Cooperation and Endorsement</i>	19
<i>The Role of National Standards-Setting Bodies</i>	19
<i>The AICPA Role and Contribution</i>	20
STRATEGIC OBJECTIVES	20

ASSURING THE QUALITY OF GLOBAL PRACTICE.....	23
VISION FOR THE YEAR 2005	23
<i>Quality Assurance Standard-Setting</i>	23
<i>International Quality Review Program</i>	23
<i>International Oversight</i>	23
<i>Status of the IOSCO and National Regulator Cooperation and Endorsement</i>	23
<i>The Role of National Standards-Setting Bodies</i>	24
<i>The AICPA Role and Contribution</i>	24
STRATEGIC OBJECTIVES	24
SUMMARY OF STRATEGIC OBJECTIVES	28

BACKGROUND

About the International Strategy Committee

In February 1997, AICPA executive leaders and AICPA members with backgrounds in international matters met to discuss ways to better coordinate the AICPA's involvement with international standards-setting and other international leadership activities and to develop a plan to position the AICPA to play a more influential role in the international standards-setting and policy-making arenas. At that meeting, it was decided to create an International Strategy Special Committee that would report to the Board of Directors.

Thomas W. Rimerman chaired the International Strategy Special Committee, which in December 1997 produced an international vision and a strategy based on that vision. The document, *Strategic Plan: AICPA International Activities*, dated December 5, 1997 (1997 Strategic Plan), was presented to the AICPA Board of Directors, but the Board of Directors did not formally act on it, nor was it released to the public.

Notwithstanding the absence of formal action on the 1997 Strategic Plan, the International Strategy Special Committee was reconstituted as the International Strategy Committee (Committee).

Since 1997, the international environment for the accounting profession has changed radically. Much of the vision described in the 1997 Strategic Plan has occurred and new policies and programs are underway. In recognition of this change, the Committee, currently chaired by Ronald S. Cohen, has decided to update the 1997 Strategic Plan. This document is a result of that decision.

The charge of the Committee, as it envisions it to be, is as follows:

The Committee is responsible for formulating the AICPA's vision for the global accountancy profession and for developing strategies and related initiatives to enhance the international processes of standards setting and oversight over the quality of professional performance, discipline and education. It periodically evaluates the progress of the AICPA in achieving its international strategies. The Committee reports to the AICPA's Board of Directors on its activities.

About the Strategic Plan

Scope

We believe that strong international standards in accounting, auditing and assurance, ethics, and quality control, together with a strong foundation in education and training, constitute the bedrock of the profession on which new products and services can be built. It is for this reason that the Committee has identified its charge as developing strategies and related initiatives to enhance the international processes

of standard setting and oversight over the quality of professional performance, discipline, and education.

The Committee notes that in 1998, the AICPA went through a grass roots visioning process that led to a comprehensive and integrated vision of the profession's future. The results of that process can be found at <http://www.cpavision.org>. Among the top five core services identified in the visioning process was assurance and information integrity. The strategic plans and initiatives set forth in this strategic plan focus on that core service from an international perspective.

Process Used

In preparing this plan, the Committee first developed a broad vision of the future (i.e., a vision within a time horizon spanning from 2005 to 2010), taking into consideration the realities of the world in which we live. Based on this broad vision, the Committee formulated narrower visions (i.e., by the year 2005) for the areas of accounting, auditing and assurance, ethics, and quality control as well as strategic objectives and initiatives to accomplish the vision in each area.

Description of Contents

This document begins with a vision of the future of the worldwide accountancy profession and of the U.S. environment. The sections that follow focus on the areas of accounting standards, auditing and assurance standards, ethics standards, and assuring the quality of global practice. A vision of each of these four areas is given, along with the strategic objectives necessary to achieve each vision. These strategic objectives are supported by initiatives and action plans. The objectives and initiatives for the areas are often in the form of targeted directions rather than absolute goals. This document ends with a summary of all strategic objectives and a note about the future.

OVERALL VISION AND STRATEGIC OBJECTIVE

Introduction

Visioning the environment in which the accountancy profession will function in the 21st century and its effect on the AICPA is a challenge. The premise underlying the overall vision is that this new century will see an even greater shift than in the past toward a global economy and the pace of change will continue to accelerate. While the following vision of the environment in the next five to ten years cannot be certain, it serves as a benchmark for the development of strategies and related initiatives for the AICPA as the future evolves.

Overall Vision

The World Environment (2005 - 2010)

The world is a global marketplace for goods and services. National boundaries have become irrelevant in the accessibility of capital and the creation of wealth. Technology enables commerce and information flows in a virtual, real-time manner. Information is both plentiful and diverse, and its dissemination varied. Transactions flowing over the Internet have grown dramatically in number and economic significance. Major issues continue to be the development of global standards for the preparation and dissemination of relevant information that is valued by a variety of constituencies throughout the world, and the corporate governance and other systems that ensure the integrity and reliability of such information and the processes that create it.

There have been significant enhancements in the business reporting model to provide more forward-looking information, verifiable non-financial disclosures about the factors that contribute to long-term earnings and shareholder value (e.g., customer relationships, product and service quality, employee know-how, productivity and innovation), and information on intellectual capital and other internally-generated intangibles that create value and competitive advantage. Much of this information is disseminated on a real-time basis and is accessible to many constituencies through the Internet and other media.

A market-driven international information assurances profession has evolved from the traditional accountancy profession. It is an accredited profession, with standards for entry and continued quality control, and subject to international protocols for how it functions to protect the public interest. Certified public accountants retain a prominent role in the international information assurances profession. Demands on this evolving profession abound. Among other things, it is challenged to attract and retain qualified people with a high level of technology skills.

Independent, private sector international standards-setting bodies exist to establish global standards for the information assurances profession. Such standards deal with providing assurance on financial and

nonfinancial information and the processes that produce it, and assuring the quality of professional practice through quality control standards, external quality review standards and a code of professional conduct that sets forth high ethical standards for integrity, objectivity, and independence.

International standards are the primary standards used by the global profession. National standards-setting bodies or, where applicable, national professional organizations, work with international standards-setters to achieve consistent interpretation and implementation of international standards and to establish the necessary mechanisms for their enforcement. Convergence of national and international standards is universally recognized as the desired goal and has been achieved by some nations. National bodies continue to set standards for local regulatory purposes, economic conditions and uniquely local situations, and work with national regulators on practice issues.

An international self-regulatory system is in place to oversee the functioning of the profession in the public interest. This system includes peer or practice reviews, a public oversight function, professional investigations and discipline, and public reporting to achieve the goal of transparency.

The U.S. Environment (2005–2010)

The United States continues to have a major influence on the global business and regulatory environments and the international accountancy profession.

The Securities and Exchange Commission (SEC) and the Uniform State Accountancy Act require adherence to international standards.

Overall Strategic Objective

Significantly enhance the role and influence of the AICPA in the development and evolution of a worldwide public accountancy profession responsive to the demands of a global market place. This will be accomplished through efforts in the following four areas: international accounting standards, international auditing and assurance standards, international ethics standards, and assuring the quality of global practice.

- Initiative: Establish a program of communication to inform AICPA members about the AICPA's international efforts.

Action plan: Publish (via the AICPA Web site and the profession's portal) this Strategic Plan or a synopsis thereof. Communicate regular updates to AICPA members on international activities and progress made in relation to the AICPA's international vision and related strategies.

Responsibility: AICPA's executive leadership.

- Initiative: Support and further the AICPA's international efforts by ensuring that each AICPA committee's activities focus on international issues.

Action plan: Monitor the activities of AICPA committees to ensure that they include an appropriate level of focus on international activities. Provide the necessary staff and volunteer resources to the various committees that will help the AICPA accomplish the overall vision and objectives.

Responsibility: AICPA's executive leadership.

INTERNATIONAL ACCOUNTING STANDARDS

Vision for the Year 2005

The International Accounting Standards Board

The International Accounting Standards Board (IASB), an independent private sector body, has become the leader in the development of high quality, understandable, and enforceable global accounting standards. It continues to work closely with the national standards-setting bodies, securities regulatory agencies, stock exchanges, intergovernmental organizations, and development agencies to accomplish its stated objective “to achieve convergence in the accounting principles that are used by businesses and other organizations for financial reporting around the world.”

Status of the International Organization of Securities Commissions (IOSCO) and National Regulator Cooperation and Endorsement

All members of IOSCO permit incoming multinational issuers to use International Accounting Standards (IAS) in the preparation of financial statements for cross-border offerings and listings. Because of the increasing convergence of international and national accounting standards, the number of jurisdictions still requiring supplemental disclosures, such as reconciliation to national generally accepted accounting principles (GAAP), in cross-border offering documents has declined. An increasing number of jurisdictions permit or require domestic issuers to use IAS in the preparation of financial statements for domestic offerings and listings.

While acknowledging the accomplishments of the IASB in many of its convergence projects, the SEC continues to believe that more work needs to be done. Incoming multinational issuers are permitted to use IAS in the preparation of financial statements for offerings and listings in the U.S. but must provide additional disclosures in a diminishing number of GAAP areas. Domestic issuers are still expected to follow U.S. GAAP, but convergence has eliminated many of the perceived disclosure “advantages” that foreign issuers were thought to have.

The Role of National Standards-Setting Bodies

National standards-setters in certain of the major world economies participate directly in specific IASB projects. In other economies, the standards-setting process has been completely delegated to the IASB.

The Financial Accounting Standards Board (FASB) remains the designated U.S. standards-setting body. Although all of the FASB’s major projects are done on a “joint” basis with the IASB, the FASB retains the leading role in the research and development of projects for the majority of emerging GAAP issues. In an effort to avoid the creation of new U.S. GAAP reconciliation items and disclosure differences, the FASB now coordinates its work on all significant emerging GAAP issues with the IASB.

The AICPA Role and Contribution

The AICPA continues to support the movement to one set of financial accounting standards that form a common international language facilitating the movement of capital around the world. While maintaining its support for the FASB and continuing to provide valuable authoritative guidance to its members and other financial statement preparers in specialized industries, the AICPA has increased its leadership in the international standards-setting process by providing support, both staff and volunteer, to the development of new and revised IASs. The AICPA's support is managed and overseen by AcSEC and the accounting standards team.

The AICPA also continues to provide valuable authoritative guidance, explanation, and clarification to its members and other financial statement preparers in specialized industries in the U.S. and around the world.

AICPA-developed educational materials and financial reporting "tools" are available on a worldwide basis.

Strategic Objectives

Strategic Objective No. 1: Contribute to the development of high quality, comprehensive international financial reporting standards.

- Initiative: Influence the IASB's agenda by bringing issues to the attention of the IASB and commenting on the priority of IASB projects.

Responsibility: AcSEC

Action Plan: Increase AICPA leadership in the international standards-setting process through early identification of emerging issues that need to be addressed.

Indicator of Progress: To be determined

- Initiative: Provide comment letters to the IASB on discussion documents on key international standards proposals.

Responsibility: AcSEC

Action Plan: Provide sufficient resources to enable AcSEC staff to maintain an appropriate level of expertise about IASB-related issues to support the development of comment letters that influence the IASB.

Indicator of Progress: The issuance of comment letters

- Initiative: Provide AICPA staff resources for selected IASB projects (not undertaken as joint projects with the AICPA).

Responsibility: AcSEC staff

Action Plans: Monitor potential IASB projects and offer staff support for one or more projects on topics for which the AICPA has suitable staff expertise.

Indicator of Progress: To be determined

- Initiative: Identify and propose candidates for the IASB Standards Advisory Council, task forces, and advisory groups.

Responsibility: To be determined

Action Plan: Monitor the formation of IASB task forces and advisory groups and recommend highly qualified candidates.

Indicator of Progress: U.S.-recommended candidates serve on the Standards Advisory Council, task forces, and advisory groups.

Strategic Objective No. 2: In coordination with the FASB, contribute to the convergence of U.S. and international accounting standards.

- Initiative: Increase coordination of AICPA accounting standards-setting activities with the IASB as well as the FASB.

Responsibility: AcSEC staff

Action Plan: AcSEC staff should enhance its current operations, which include keeping IASB abreast of its standards-setting activities, to take the initiative in coordinating standards-setting activities of the IASB, FASB, and AcSEC. This will include periodic discussions with the IASB liaison member regarding AcSEC and IASB agenda projects including periodic identification of differences in accounting standards to enhance the prospects of convergence.

Indicator of Progress: To be determined

- Initiative: Identify and promote opportunities for joint projects with the IASB and with foreign national standards-setters on general and industry-specific matters of mutual interest.

Responsibility: AcSEC

Action Plan: To be determined

Indicator of Progress: To be determined

Strategic Objective No. 3: Support the AICPA membership, and the accountancy profession worldwide through educational and other programs that will increase members' knowledge about convergence of standards, how it affects financial statement preparers, and transition or implementation matters relating to convergence.

- Initiative: Propose to the IASB joint sponsorship of meetings about IASB standards and processes.

Responsibility: To be determined.

Action Plan: To be determined.

Indicator of Progress: To be determined

- Initiative: Develop and market courses and conferences to elevate the awareness of AICPA members, financial decision makers, and others about international accounting standards matters and to address specific implementation issues.

Responsibility: To be determined.

Action Plan: To be determined.

Indicator of Progress: To be determined

INTERNATIONAL AUDITING AND ASSURANCE STANDARDS

Vision for the Year 2005

The International Auditing and Assurance Standards Board

The International Auditing Practices Committee (IAPC) has changed its name to the International Auditing and Assurance Standards Board (IAASB), and it functions as an independent standards-setting body under the auspices of the International Federation of Accountants (IFAC). Prospective members of the IAASB are recommended to IFAC by several constituencies, including the Transnational Auditors Committee of the Forum of Firms and national assurance standards setters. An international public oversight body oversees the IAASB as well as other self-regulatory activities of IFAC.

The IAASB has issued a comprehensive and high quality set of International Standards on Auditing (ISAs) that are seen to be in the public interest. The issue of levels of assurance that accountants provide for assurance services has been resolved and IAASB continues to develop standards for current and emerging assurance services.

Membership in the Forum of Firms requires the transnational audit practice of a firm or international network to adhere to standards that are no less rigorous than ISAs. IFAC has effective mechanisms in place to encourage broad acceptance of international auditing and assurance standards by the national standards-setting bodies of its members.

The IAASB facilitates the continued convergence of national and international standards by participating in joint projects with experienced standards setters from around the world and permitting them to assume primary standards-setting responsibility for some IAASB projects.

Status of IOSCO and National Regulator Cooperation and Endorsement

IOSCO has endorsed the comprehensive set of ISAs for use in cross-border filings.

The SEC, having completed its rule-making process, has indicated that non-U.S. auditors of foreign domiciled entities filing reports in the U.S. may use the ISAs.¹ However, the SEC—

- Continues to impose U.S. independence requirements on non-US auditors.
- Requires demonstration that the non-U.S. auditor follows acceptable quality control procedures.

¹ U.S. auditors must continue to report under auditing standards generally accepted in the U.S., although they may also refer to ISAs in their reports.

The Role of National Standards-Setting Bodies

The AICPA, with the advice and counsel of the Chair of the (renamed) Assurance Standards Board (ASB), routinely nominates someone to be a voting member of the IAASB who ordinarily will have prior or current ASB experience. It is presumed that the AICPA's nominee will be appointed to the IAASB. If the AICPA-nominated IAASB member is not a current member of the ASB, the individual will have "privilege of the floor" at ASB meetings.²

The ASB remains the primary U.S. standards-setting body and has significantly strengthened its leadership role in the development of international auditing and assurance standards by, among other things, participating in joint standards-setting projects with the IAASB and assuming the primary standards setting responsibility for specific projects on behalf of IAASB. The ASB has achieved significant progress towards convergence of U.S. standards and ISAs, and continues to issue standards supplementing international auditing and assurance standards for matters unique to the U.S. environment.

The ASB's International Auditing Standards Subcommittee (ASB Subcommittee,) is responsible for the communication of international auditing and assurance matters to AICPA members and U.S. regulators. The ASB also continues to provide valuable implementation guidance, explanation, and clarification to its members in the U.S. and other members of the accountancy profession around the world.

The AICPA Role and Contribution

The AICPA provides considerable support and resources, both staff and volunteer, toward the development of new and revised ISAs and related international auditing practice statements, which provide guidance for practical application of ISAs and application of ISAs in specific industries. The AICPA's support is managed and overseen by the ASB.

The AICPA also develops educational materials for worldwide use in training in international auditing and assurance standards.

Strategic Objectives

Strategic Objective No. 1: Contribute to the development of high quality, comprehensive international auditing and assurance standards.

- Initiative: Continue to provide, and when necessary increase, resources to the ASB Subcommittee which has been actively supporting the development of international auditing and assurance

² Depending on the makeup of the IAASB, and the ability of constituencies other than IFAC-member bodies to nominate members, there may be other U.S. members on IAASB who are not nominated by the AICPA. These other members will not have privilege of the floor at ASB meetings.

standards since 1998. The AICPA-nominated member of the IAASB will chair or be a member of this subcommittee.

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Responsibility: ASB and ASB Subcommittee

Action Plan: Continue work of ASB Subcommittee that is to³—

- Monitor the work of IAASB.
- Advise the AICPA-nominated member of the IAASB.
- Advise the ASB on IAASB projects and their impact on U.S. standards.
- Comment on all IAASB exposure drafts.
- Serve as a leader on issue identification and project participation in the development of ISAs and supporting practice statements.
- Oversee the communication of international auditing and assurance matters to AICPA members.

Indicator of Progress: Reports on ASB and ASB Subcommittee activities

- Initiative: Identify and promote opportunities for joint projects with other national standards-setters on matters of mutual interest.

Responsibility: ASB and the Assurance Services Executive Committee (or its successor)

Action Plan: Continue current joint efforts, such as those with the Canadian Institute of Chartered Accountants on Sustainability, WebTrust, and SysTrust. Future joint projects to be determined.

Indicator of Progress: To be determined

Strategic Objective No. 2: Increase efforts to converge U.S. and international auditing and assurance standards to, among other things, facilitate IOSCO and SEC endorsement of international auditing and assurance standards.

- Initiative: Develop a convergence strategy for U.S. auditing standards, including identification of necessary inconsistencies with ISAs. This needs to address, among other things, black lettering of “imperatives” included in standards.

Responsibility: ASB and ASB Subcommittee

Action Plan: ASB’s Audit Issues Task Force (AITF) should discuss development of a convergence plan at first quarter of 2002 meeting.

³ The ASB Subcommittee, formed in 1998, currently performs the activities listed in this initiative with respect to IAPC.

Indicator of Progress: Approval of convergence plan by ASB.

- Initiative: Develop auditing and assurance standards collaboratively with the IAASB, including opportunities to undertake the standards-setting responsibility for specific projects on behalf of the international community.

Responsibility: ASB

Action Plan: Continue to work with IAASB on the Risk Assessments project and other viable projects.

Indicator of Progress: Reports on ASB and ASB Subcommittee's activities

- Initiative: Complete a comprehensive analysis of Statements on Auditing Standards (SASs), Statements on Standards for Attestation Engagements (SSAEs) and Statements on Standards for Accounting and Review Services (SSARS) as compared to ISAs, to identify areas where significant differences exist between U.S. standards and international standards (two-way comparison) and thus facilitate convergence.

Responsibility: ASB Subcommittee

Action Plan: AITF to discuss project proposal during first quarter of 2002.

Indicator of Progress: Issuance of report identifying the significant differences between the two sets of standards.

- Initiative: Identify significant differences between U.S. standards and ISAs in all U.S. audit exposure drafts so that commentators can provide comments that will enable the ASB to resolve inconsistencies in a timely manner and thus enhance the prospects of convergence.

Responsibility: ASB

Action Plan: To be determined.

Indicator of Progress: To be determined

Strategic Objective No. 3: Promote continuous improvement of the international standards-setting process to enhance prospects for IOSCO endorsement of international auditing and assurance standards.

- Initiative: Support implementation of the recommendations for process improvement issued by the current IAPC Review Task Force on which the AICPA's current representative to IAPC serves.

Responsibility: ASB and ASB Subcommittee

Action Plan: Continue (a) discussions with the SEC's representative to IOSCO, and (b) inviting representatives of the SEC to attend meetings of the ASB Subcommittee. Further action to be determined.

Indicator of Progress: To be determined

Strategic Objective No. 4: Support the AICPA membership, and the auditing profession worldwide, through educational programs and public relations initiatives that will increase members' knowledge about convergence of standards, how it affects local practitioners, and transition or implementation matters relating to convergence.

- Initiative: Develop and market materials and conferences to elevate the awareness of AICPA members and others about international auditing and assurance standards matters and to address specific implementation issues.

Responsibility: To be determined

Action Plan: To be determined

Indicator of Progress: To be determined

- Initiative: Encourage firms to refer to ISAs, as well as U.S. generally accepted auditing standards, in audit reports of public companies and other entities whose financial statements have broad dissemination.

Responsibility: ASB and ASB Subcommittee

Action Plan: Develop interpretation of current standards to permit such reference. AITF to consider the interpretation in December 2002. Begin education efforts to raise awareness of the meaning and importance of international standards.

Indicator of Progress: Issuance of the interpretation permitting subject reference to ISAs in the auditor's report.

- Initiative: Oversee periodic updates of Appendix to volume 1 of AICPA's *Professional Standards* comparing U.S. standards to ISAs.

Responsibility: ASB Subcommittee

Action Plan: The 2001 update has been approved. The ASB Subcommittee will continue to monitor new ISAs to identify instances in which the ISAs requirements exceed those in the SASs.

Indicator of Progress: Publication of an updated Appendix in 2002 and annually thereafter.

INTERNATIONAL ETHICS STANDARDS

Vision for the Year 2005

The Ethics Committee

The Ethics Committee is an independent international standards-setting body within IFAC responsible for developing and updating the IFAC Code of Conduct (IFAC Code). Prospective members of the Ethics Committee are recommended to the nominating committee of IFAC by national standards-setters. The Ethics Committee continues to represent diversified viewpoints on standards of professional conduct throughout the world.

Status of IOSCO and National Regulator Cooperation and Endorsement

IOSCO has endorsed the IFAC Code. The IFAC Code is also acknowledged by most national regulators throughout the world as providing the basic standards of integrity and objectivity for all professional accountants, and independence for those in public practice. The IFAC Code recognizes national custom, law and regulation, and requires professional accountants performing services across national borders to comply with both it and supplemental standards established by national regulators if necessary.

National enforcement of independence, behavioral and technical professional services standards will be monitored internationally through IFAC.

The Role of National Standards-Setting Bodies

National accountancy bodies, through strong national standards and other member guidance as well as due process enforcement systems, support the IFAC Code.

The AICPA's Professional Ethics Executive Committee (PEEC) remains the primary U.S. standards-setting body. The AICPA, with the advice and counsel of the PEEC Chair, nominates a voting member of IFAC's Ethics Committee who will have prior or current PEEC experience and maintain a close liaison with PEEC to enhance the discussion of current issues and promote convergence. It is presumed that AICPA's nominee will be appointed to IFAC's Ethics Committee. If the AICPA-nominated member is not a current member of PEEC, the individual will have "privilege of the floor" at PEEC meetings.

As a primary standards setter, PEEC also continues to provide implementation guidance, explanation, and clarification to AICPA members in the U.S. Furthermore; it develops educational materials for worldwide use in training on international ethics standards and provides information regarding emerging issues in the U.S. for international consideration.

A program has also been established in many other countries for the issuance of interpretive guidance regarding specific situations encountered by members of the profession in those countries.

The AICPA Role and Contribution

The AICPA continues to play a key role in the development and interpretation of the IFAC Code by providing considerable support and resources, both staff and volunteer, to IFAC's Ethics Committee.

Strategic Objectives

Strategic Objective No. 1: Contribute to the development of high quality, comprehensive international ethics standards and interpretations.

- Initiative: Establish an active subcommittee of PEEC on the internationalization of standards. The AICPA-nominated member on IFAC's Ethics Committee should chair or be a member of this subcommittee.

Responsibility: PEEC

Action Plan: The Subcommittee will—

- Monitor the work of IFAC's Ethics Committee.
- Advise the U.S. representative on IFAC's Ethics Committee.
- Advise PEEC on all projects of IFAC's Ethics Committee and their impact on U.S. standards
- Comment on all IFAC's Ethics Committee exposure drafts.
- Serve as a leader in terms of issue identification and project participation in the development of international Ethics Standards and supporting guidance.
- Oversee the communication of international ethics matters to AICPA members.
- Continue to provide information and guidance to countries seeking to develop interpretation and enforcement systems in the area of ethics.
- Continue convergence efforts.

Indicator of Progress: To be determined

Strategic Objective No. 2: Continuously monitor and, if necessary, encourage changes to the structure of the international ethics standards-setting process to ensure the development of high quality international ethics standards, interpretations, and enforcement processes in the future that are applied by the global profession and considered authoritative by national regulatory bodies and IOSCO.

- Initiative: Participate in the development of a plan to make the international Ethics Committee an authoritative body within IFAC for the establishment and interpretation of rules of conduct.

Responsibility: PEEC

Action Plan: PEEC to write letters and meet with IFAC leadership to accomplish this initiative.

Indicator of Progress: To be determined

- Initiative: Participate in the development of plans to strengthen IFAC's requirements for member body codes to comply with international standards and to monitor and enforce ethics requirements at the national level.

Responsibility: To be determined

Action Plan: Participate in IFAC's Compliance Committee

Indicator of Progress: To be determined

- Initiative: Meet with regulators in the U.S. and other IFAC member countries to discuss joint enforcement programs.

Responsibility: To be determined

Action Plan: Participate in IFAC's Compliance Committee

Indicator of Progress: To be determined

Strategic Objective No. 3: Support the AICPA membership, and the accounting profession worldwide, through educational programs and public relations that will increase members' knowledge about convergence of standards, how it affects local practitioners, and transition or implementation matters relating to convergence.

- Initiative: Develop and market educational materials and conferences to elevate the awareness of AICPA members and others about international ethics matters and to address specific areas where additional guidance may be needed.

Responsibility: To be determined

Action Plan: To be determined

Indicator of Progress: To be determined

- Initiative: Coordinate with the international ethics standards-setting body for potential opportunities for joint sponsorship of projects about ethics matters.

Responsibility: PEEC

Action Plan: To be determined

Indicator of Progress: To be determined

- Initiative: Participate in ethics forums and similar meetings that IFAC's Ethics Committee plans to discuss the creation and implementation of interpretation and enforcement systems.

Responsibility: PEEC

Action Plan: To be determined

Indicator of Progress: To be determined

ASSURING THE QUALITY OF GLOBAL PRACTICE

Vision for the Year 2005

Quality Assurance Standard-Setting

Most countries around the world have adopted the IFAC Professional Practices Statement No.1 (PPS1), *Assuring the Quality of Professional Services*, and International Audit and Assurance Standards Board's (IAASB) International Standard on Auditing (ISA) No. 220, *Quality Control for Audit Work*, which urge IFAC member bodies to develop quality control standards and quality review programs, and outlines the quality control policies and procedures to be implemented by Firms on individual audits. In the U.S. The Auditing Standards Board of the AICPA issues *Statements on Quality Control Standards*. For detailed information about the IFAC Program to enhance the quality of financial reporting and auditing please refer to the IFAC Web site: [www.ifac.org/Forum of Firms](http://www.ifac.org/Forum_of_Firms).

International Quality Review Program

The Global Peer Review Subcommittee of IFAC's Transnational Auditors Committee (TAC) has begun to oversee the process of global peer review for members of the Forum of Firms (FOF) building on the practice reviews being done by member Firms in individual countries. A number of Firms have already completed design and compliance reviews and have become full members of the FOF. Other Firms have completed design reviews only and remain Provisional Members. Significant effort continues to be required to deal with the different approaches currently taken on external practice reviews at the national level and the different timing of those national reviews.

In addition, the investigations subcommittee of TAC has begun to investigate transnational audits that are alleged to be substandard relying on investigations conducted by national bodies to the extent possible. This process, however, also still requires considerable attention to deal with the different approaches being taken on investigations in different countries.

International Oversight

An International Public Oversight Board (IPOB) oversees the FOF, TAC, and the subcommittees and committees of IFAC involved in public interest activities. The IPOB communicates with regulators and others regarding its oversight activities.

Status of the IOSCO and National Regulator Cooperation and Endorsement

The cooperation of national governments and regulators with the global peer review program is improving, but it will still take time for national regulators to fully endorse and integrate their programs into the Firm-wide reviews. The International Organization of Securities Commissions (IOSCO) has endorsed the comprehensive set of ISAs for use in cross-border filings. However, the quality of the implementation of those standards is crucial to their effectiveness and IOSCO has only recently become

directly involved in evaluating the global peer review program. The key to IOSCO's full endorsement of the program will depend on its assessment of the quality of oversight provided by the IPOB.

The Role of National Standards-Setting Bodies

The AICPA's SEC Practice Section (SECPS) remains the body responsible for peer reviews of U.S.-based accounting firms that audit public companies in the U.S., subject to oversight by the U.S. Public Oversight Board and the SEC. The SECPS also conducts inquiries into alleged substandard audits of SEC clients by member Firms. Other sections of the AICPA and state CPA societies are responsible for peer reviews of most other Firms that audit only privately owned entities.

In other countries similar situations exist except that in certain of these countries the national regulator and not a professional self-regulatory body has direct responsibility for national external quality reviews and investigations. Such bodies have in varying degrees begun to work with the TAC and explore the ultimate harmonization and integration of their national programs with the FOF.

The AICPA Role and Contribution

The AICPA supports the movement toward a global self-regulatory process and global peer review for international Firms and networks. To this end, the AICPA is reaching out to the FOF to converge U.S. and international quality control and global peer review standards. It is also reaching out to its counterparts in other countries, and particularly developing nations, by providing educational materials, advice and consultation on how to implement quality controls and external quality reviews for their national Firms. Through these efforts, AICPA is improving the quality of professional practice around the world and accelerating the time when there will be one global set of quality standards and practices for the benefit of all participants in the global capital markets.

Nevertheless, the year 2005 finds the harmonization and integration of national quality standards and external quality reviews still very much a work in progress. In fact, there are still some IFAC member bodies that don't have a mandatory external quality review program or investigations program in place. In this respect, with the most highly developed and sophisticated program in the world, the AICPA's SECPS not only serves as a model for other countries but also is actively working with the TAC on the continuous modification and improvement of its programs.

Strategic Objectives

Strategic Objective No. 1: Establish a program to facilitate convergence between U.S. and International Quality Control Standards.

- Initiative: Identify significant differences between U.S. and International Quality Control Standards.

Responsibility: AICPA's Joint Task Force on Quality Control Standards (ASB and SECPS Executive Committee)

Action Plan: To be determined

Indicator of Progress: Issuance of report identifying the significant differences between the two sets of standards

Strategic Objective No. 2: Promote harmonization of the U.S. and TAC's International Peer Review and enforcement programs.

- Initiative: Identify significant differences between the peer review standard of the TAC and the U.S. to facilitate convergence.

Responsibility: SECPS Peer Review Committee

Action Plan: SECPS to consider project proposal to establish a joint task force with TAC's Global Peer Review committee to accomplish this initiative.

Indicator of Progress: Issuance of report identifying the significant differences between the two sets of standards

- Initiative: Identify significant differences between the U.S. and TAC's Peer Review processes.

Responsibility: SECPS Peer Review Committee

Action Plan: Perform an ongoing analysis of significant differences between TAC and SECPS peer reviews. Such analysis should identify those differences that should be considered by TAC and those differences that should be considered by SECPS to improve and harmonize the two programs in the public interest.

Indicator of Progress: Reports to the SECPS Executive Committee

- Initiative: Identify significant differences between the U.S. and TAC's enforcement programs.

Responsibility: SECPS Quality Control Inquiry Committee

Action Plan: Perform an ongoing analysis of significant process differences between TAC and SECPS investigations/inquiries. Such analysis should identify those differences that should be considered by TAC and those be considered by SECPS to improve and harmonize the two programs in the public interest.

Indicator of Progress: Reports to the SECPS Executive Committee

Strategic Objective No. 3: Support the AICPA membership, the auditing profession worldwide and participants in the world's capital markets through educational programs and public relations that will increase the knowledge of members and others about international quality control standards and the global peer review program.

- Initiative: Develop and market materials and conferences for AICPA members and professionals in other countries about quality control standards and peer review programs —both U.S. and international—to address various implementation issues for participants.

Responsibility: AICPA's executive leadership

Action Plan: To be determined

Indicator of Progress: To be determined

- Initiative: Coordinate with the TAC on potential opportunities for joint sponsorship of meetings and conferences and for joint development of promotional material about the global peer review program.

Responsibility: AICPA's executive leadership

Action Plan: To be determined

Indicator of Progress: To be determined

Strategic Objective No. 4: Promote POB and SEC endorsement of TAC activities and initiatives

- Initiative: Establish a task force of the SECPS Executive Committee to determine ways in which to promote acceptance by the POB and SEC of activities of the TAC.

Responsibility: SECPS Executive Committee

Action Plan: To be determined

Indicator of Progress: To be determined

Strategic Objective No. 5: Assist national bodies in establishing or enhancing peer review and investigation programs.

- Initiative: In cooperation with the IFAC's Compliance Committee, identify IFAC member bodies that do not have, or have not fully developed, peer review and investigation programs.
- Responsibility: AICPA's executive leadership

Action Plan: Provide consultation and assistance to identified member bodies

Indicator of Progress: To be determined.

SUMMARY OF STRATEGIC OBJECTIVES

Overall Strategic Objective

Significantly enhance the role and influence of the AICPA in the development and evolution of a worldwide public accountancy profession responsive to the demands of a global market place. This will be accomplished through efforts in the following four areas: international accounting standards, international auditing and assurance standards, international ethics standards, and assuring the quality of global practice.

Specific Strategic Objectives

International Accounting Standards

Strategic Objective No. 1: Contribute to the development of high quality, comprehensive international financial reporting standards.

Strategic Objective No. 2: In coordination with the FASB, contribute to the convergence of U.S. and international accounting standards.

Strategic Objective No. 3: Support the AICPA membership, and the accountancy profession worldwide through educational and other programs that will increase members' knowledge about convergence of standards, how it affects financial statement preparers, and transition or implementation matters relating to convergence.

International Auditing and Assurance Standards

Strategic Objective No. 1: Contribute to the development of high quality, comprehensive international auditing and assurance standards.

Strategic Objective No. 2: Increase efforts to converge U.S. and international auditing and assurance standards to, among other things, facilitate IOSCO and SEC endorsement of international auditing and assurance standards.

Strategic Objective No. 3: Promote continuous improvement of the international standards-setting process to enhance prospects for IOSCO endorsement of international auditing and assurance standards.

Strategic Objective No. 4: Support the AICPA membership, and the auditing profession worldwide, through educational programs and public relations initiatives that will increase members' knowledge about convergence of standards, how it affects local practitioners, and transition or implementation matters relating to convergence.

International Ethics Standards

Strategic Objective No. 1: Contribute to the development of high quality, comprehensive international ethics standards and interpretations

Strategic Objective No. 2: Continuously monitor and, if necessary, encourage changes to the structure of the international ethics standards-setting process to ensure the development of high quality international ethics standards, interpretations, and enforcement processes in the future that are applied by the global profession and considered authoritative by national regulatory bodies and IOSCO.

Strategic Objective No. 3: Support the AICPA membership, and the accounting profession worldwide, through educational programs and public relations that will increase members' knowledge about convergence of standards, how it affects local practitioners, and transition or implementation matters relating to convergence

Assuring the Quality of Global Practice

Strategic Objective No. 1: Establish a program to facilitate convergence between U.S. and International Quality Control Standards.

Strategic Objective No. 2: Promote harmonization of the U.S. and TAC's International Peer Review and enforcement programs.

Strategic Objective No. 3: Support the AICPA membership, the auditing profession worldwide and participants in the world's capital markets through educational programs and public relations that will increase the knowledge of members and others about international quality control standards and the global peer review program.

Strategic Objective No. 4: Promote POB and SEC endorsement of TAC activities and initiatives

Strategic Objective No. 5: Assist national bodies in establishing or enhancing peer review and investigation programs.

NOTE FOR THE FUTURE

This strategic plan is an important step toward continuing the development of an international focus within the AICPA so that is in a position to facilitate and support the globalization of member activities. We anticipate that the AICPA will be a leader on a worldwide basis in the creation of new products and services as it is in the U.S. This market driven value-added philosophy together with quick response to market place challenges is absolutely necessary for survival in the new world wide market place.

Because of the fast moving pace of globalization, the Committee recommends that the AICPA monitor and update its strategic plan for international activities on at least a three-year basis.

INTERNATIONAL STRATEGY COMMITTEE

2001–2002

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The Committee acknowledges with gratitude the contribution of the Audit and Attest Standards Team to this report