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December 11, 2013

Office of the Secretary  
Public Company Accounting Oversight Board  
1666 K Street, NW  
Washington, DC 20006-2803

*Subject: PCAOB Rulemaking Docket Matter No. 034: PCAOB Release No. 2013-005: Proposed Auditing Standard Related to the Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion; the Auditor's Responsibilities regarding Other Information in Certain Documents Containing Audited Financial Statements and the Related Auditor's Report; and Related Amendments to PCAOB Standards*

This letter provides the U.S. Government Accountability Office's (GAO) comments on the Public Company Accounting Oversight Board's (PCAOB) exposure draft.

We support efforts to improve the quality of financial reporting and increase the confidence users have in the audit of financial statements. However, we do not believe that certain of the proposed enhancements to the auditor's report, such as reporting critical audit matters, will enhance the perceived value of the financial statement audit or add value to the users of the financial statements. However, if the PCAOB nevertheless determines that it is appropriate to require reporting of critical audit matters, we encourage the PCAOB to work closely with other standard setters, such as the International Auditing and Assurance Standards Board (IAASB) and the Auditing Standards Board, to ensure a consistency of practice by harmonizing their standards on reporting critical audit matters, absent any compelling reasons that would require different practice. For example, the standard setters should determine thresholds or other guidance that facilitates the consistent reporting of critical audit matters.

### **Requests for Specific Comments**

The PCAOB is seeking comments on a number of areas in the proposed standards. We have provided discussion on the areas listed in the exposure draft below. Our responses to specific questions in appendixes 5 and 6 of the exposure draft are included in the enclosure to this letter.

#### Critical Audit Matters

We do not support the requirement for a new section in the auditor's report describing matters the auditor determines to have posed the most difficulty during the audit (critical audit matters), and believe that this requirement will not enhance the usefulness of the auditor's report or add value to the users. We believe that, in practice, such requirements will result in entities reporting the substance of critical audit matters in the notes to the financial statements, to the extent they are not already included, and the inclusion of this information in the audit report would add little value to the users. We are also concerned that the incentives for consistent reporting of critical audit matters across entities would

likely lead to “boilerplate” reporting language for each type of critical audit matter. Further, such a requirement may increase the risk of blurring the roles between entity management and the auditor, as it requires the auditor to comment on elements that are generally management’s responsibility to discuss or disclose.

We are also concerned about the application of the requirement for reporting matters that posed the “most” difficulty to auditors as critical audit matters. Certain matters, while posing the most difficulty to the auditor, may be less significant to financial statement users and the requirement may lead to the reporting of an extensive discussion of matters unimportant to financial statement users.

In addition, the connotation of “critical” may lead users to believe that these matters necessarily could affect the entity’s ability to be a going concern, instead of matters that the auditor determines should be disclosed to help the users focus on aspects of the company’s financial statements that the auditor found to be challenging. The IAASB uses “Key Audit Matters”, and we encourage the PCAOB, if moving forward with a requirement to report such matters, to harmonize its term with that of the IAASB unless there is a compelling reason for a different term.

Further, while we believe that the auditors should document significant audit matters in the audit documentation as required by current standards, we do not support the need for a separate documentation requirement solely based on critical audit matters. We also do not support a requirement for the auditor to disclose audit procedures performed in the critical audit matters section of the audit report as it will add little value to the users of the financial statements and may create unwieldy reports.

We believe that if a requirement is kept for statements from the auditor regarding critical audit matters, the auditor’s communication of such matters should be limited to the audit of the most recent financial period when comparative financial information is presented. We also encourage the PCAOB to provide further guidance as to what should be considered a “critical audit matter”. For example, this guidance could include information on the thresholds for determining whether a matter is a critical audit matter, as the proposed standard allows for the auditor to determine that there are no critical audit matters and could result in situation where the most difficult audit issues may nevertheless be unimportant with respect to the entity.

Finally, we do not support the proposed requirement to include a statement related to auditor independence in the auditor’s report. We question whether such additional disclosures would benefit users; for example, the user may already be aware of auditor independence requirements or, if not, the user may have difficulty in understanding the concept of independence without extensive discussions in the auditor’s report. We also do not agree with the inclusion of the tenure of the auditor on the engagement and question what value this information would provide to users of the financial statements. We are concerned that including this information could lead to incorrect interpretations about the entity, its current fiscal situation, and the auditor. Information about tenure may be relevant information to disclose in the proxy statement, as that document is more closely aligned with decisions concerning auditor selection.

#### Auditor’s Responsibility for Other Information

While we agree that expanding the auditor’s responsibility for other information has merit, we are concerned about the requirement in paragraph 3 of the proposed standard regarding material misstatements of fact. We believe that the identification of any material

misstatements of fact should be based solely on the procedures in paragraph 4 of the proposed standard. However, we are concerned that the current proposed standard is unclear as to whether the auditor would be required to identify material misstatements of fact, beyond those that would be identified through performing the procedures described in paragraph 4 of the proposed standard. We believe it is important that this requirement be clearly stated to avoid confusion in its application

Further, we note that certain types of other information could be subsequently changed without the knowledge of the auditor, particularly those that are not incorporated into the same document as the financial statements. We also note that it will be challenging to convey to users of the auditor's report that some of the other information reviewed by the auditor could be subject to change or revision, especially if presented in filings other than the annual report. However, we believe that auditors may be able to report that they evaluated other information as of a certain date, and that they would have no control over any subsequent changes to other information.

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We thank you for considering our comments on these important issues as the PCAOB continues its effort to enhance the value of auditor reporting.



James R. Dalkin  
Director  
Financial Management and Assurance

Enclosure

## Enclosure – Answers to Questions

### Appendix 5

- 1. Do the objectives assist the auditor in understanding the requirements of what would be communicated in an auditor's unqualified report? Why or why not?**

We agree that the first objective assists the auditor in understanding the requirements of what would be communicated. Although the second objective may be clear as stated, we do not believe that the reporting of critical audit matters will add value for the users of the financial statements for the reasons stated in our letter.

- 2. The proposed auditor reporting standard would require the auditor's report to be addressed at least to (1) investors in the company, such as shareholders, and (2) the board of directors or equivalent body. Are there others to whom the auditor's report should be required to be addressed?**

The current standard is sufficient in this area.

- 3. The proposed auditor reporting standard retains the requirement for the auditor's report to contain a description of the nature of an audit, but revises that description to better align it with the requirements in the PCAOB's risk assessment standards. Are there any additional auditor responsibilities that should be included to further describe the nature of an audit?**

We agree with the revisions to the description of the nature of an audit and do not suggest additional responsibilities be included.

- 4. The proposed auditor reporting standard would require the auditor to include a statement in the auditor's report relating to auditor independence. Would this statement provide useful information regarding the auditor's responsibilities to be independent? Why or why not?**

We do not support the proposed requirement to include a statement related to auditor independence in the auditor's report, and we question whether such additional disclosures would benefit the users. For example, the user may be already aware of auditor independence requirements or, if not, the user may have difficulty understanding the concept of independence without extensive discussions in the auditor's report.

- 5. The proposed auditor reporting standard would require the auditor to include in the auditor's report a statement containing the year the auditor began serving consecutively as the company's auditor.**
  - a. Would information regarding auditor tenure in the auditor's report be useful to investors and other financial statement users? Why or why not? What other benefits, disadvantages, or unintended consequences, if any, are associated with including such information in the auditor's report?**
  - b. Are there any additional challenges the auditor might face in determining or reporting the year the auditor began serving consecutively as the company's auditor?**
  - c. Is information regarding auditor tenure more likely to be useful to investors and other financial statement users if included in the auditor's report in addition to EDGAR and other sources? Why or why not?**

We do not support the inclusion of the tenure of the auditor on the engagement and question what value this information would provide to the user of the financial statements. We are concerned that including this information could lead to incorrect interpretations about the entity, its current fiscal situation, and the auditor. Information about tenure may be relevant information to disclose in the proxy statement, as that document is more closely aligned with decisions concerning auditor selection.

**6. The proposed auditor reporting standard would require the auditor to describe the auditor's responsibilities for other information and the results of the evaluation of other information. Would the proposed description make the auditor's report more informative and useful? Why or why not?**

We agree with the proposed description.

**7. Should the Board require a specific order for the presentation of the basic elements required in the auditor's report? Why or why not?**

We believe the PCAOB should require a specific order for basic elements required in an auditor's report to promote consistency among auditors' reports.

**8. What other changes to the basic elements should the Board consider adding to the auditor's report to communicate the nature of an audit, the auditor's responsibilities, the results of the audit, or information about the auditor?**

We do not note any other necessary changes, unless additional changes would be required to enhance consistency with the standards of other standard setters.

**9. What are the potential costs or other considerations related to the proposed basic elements of the auditor's report? Are cost considerations the same for audits of all types of companies? If not, explain how they might differ.**

The proposed changes to the basic elements would not appear to significantly affect audit costs.

**10. Would the auditor's communication of critical audit matters be relevant and useful to investors and other financial statement users? If not, what other alternatives should the Board consider?**

We do not believe the introduction of a critical audit matters section would enhance the usefulness of the auditor's report and may make it more difficult for users to read and understand the audit report. We believe that in practice, such requirements will result in entities reporting the substance of critical audit matters in the notes to the financial statements, to the extent they are not already included, and the inclusion of this information in the audit report would add little value to the users. Also, we are concerned that incentives for consistent reporting of similar matters across entities would likely lead to "boilerplate" report language for each potential type of critical audit matter. Finally, we are concerned that the connotation of the word "critical" may lead users of the financial statements to misinterpret the purpose of the disclosure of such matters.

**11. What benefits or unintended consequences would be associated with the auditor's communication of critical audit matters?**

Please see our response to question 10.

**12. Is the definition of a critical audit matter sufficient for purposes of achieving the objectives of providing relevant and useful information to investors and other financial statements users in the auditor's report? Is the definition of a critical audit matter sufficiently clear for determining what would be a critical audit matter? Is the use of the word "most" understood as it relates to the definition of critical audit matters?**

The definition of critical audit matters should be clearer. As proposed, it could lead to an inconsistency in the practice of critical audit matter reporting.

**13. Could the additional time incurred regarding critical audit matters have an effect on the quality of the audit of the financial statements? What kind of an effect on quality of the audit can it have?**

We believe an audit under current PCAOB standards would address the critical audit matters and risks. Additional time would likely be required and such time would be focused on developing appropriate audit report language, coordinating with management on such language, and perhaps increasing legal counsel time and expense. In addition this time would likely be required near the end of the audit, and could compete or interfere with other critical audit steps performed to complete the audit.

**14. Are the proposed requirements regarding the auditor's determination and communication of critical audit matters sufficiently clear in the proposed standard? Why or why not? If not, how should the proposed requirements be revised?**

We find the definition of critical audit matters unclear and do not agree that the reporting of critical audit matters will add value for the users of the financial statements.

**15. Would including the audit procedures performed, including resolution of the critical audit matter, in the communication of critical audit matters in the auditor's report be informative and useful? Why or why not?**

We do not support the inclusion of audit procedures performed in an auditor's report, as we do not believe it would add value to the users of the financial statements and it could result in lengthy descriptions that are difficult to evaluate. The auditor's opinion should provide sufficient information about whether the auditor was able to perform adequate audit procedures related to the matter and obtain sufficient appropriate audit evidence

**16. Are the factors helpful in assisting the auditor in determining which matters in the audit would be critical audit matters? Why or why not?**

The factors are generally useful and informative; however, we encourage further development and expansion of examples to assist auditors in identifying critical audit matters, if the PCAOB requires disclosure of such matters.

**17. Are there other factors that the Board should consider adding to assist the auditor in determining which matters in the audit would be critical audit matters? Why or why not?**

We do not note any other necessary factors, unless additional factors would be required to enhance consistency with the standards of other standard setters.

**18. Is the proposed requirement regarding the auditor's documentation of critical audit matters sufficiently clear?**

The requirement is sufficiently clear and the illustrative examples are generally useful.

**19. Does the proposed documentation requirement for non-reported audit matters that would appear to meet the definition of a critical audit matter achieve the Board's intent of encouraging auditors to consider in a thoughtful and careful manner whether audit matters are critical audit matters? If not, what changes should the Board make to the proposed documentation requirement to achieve the Board's intent?**

We encourage the PCAOB to consider how the documentation requirements for critical audit matters could be addressed under current auditing standards documentation requirements for auditor's audit documentation.

**20. Is the proposed documentation requirement sufficient or is a broader documentation requirement needed?**

Please see our response to question 19.

**21. What are the additional costs, including indirect costs, or other considerations related to the auditor's determination, communication, and documentation of critical audit matters that the Board should take into account? Are these costs or other considerations the same for all types of audits?**

In addition to the cost related to the additional time requirements discussed in our response to question 13 above, there would be additional costs associated with documenting the audit matters. These additional costs would likely be more significant to the audit costs related to smaller entities.

**22. What are the additional costs, including indirect costs, or other considerations for companies, including their audit committees, related to critical audit matters that the Board should take into account? Are these costs or other considerations the same for audits of both large and small companies?**

Please see our response to question 21.

**23. How will audit fees be affected by the requirement to determine, communicate, and document critical audit matters under the proposed auditor reporting standard?**

We expect the audit fees to vary by audit.

**24. Are there specific circumstances in which the auditor should be required to communicate critical audit matters for each period presented, such as in an initial public offering or in a situation involving the issuance of an auditor's report on a prior period financial statement because the previously issued auditor's report could no longer be relied upon? If so, under what circumstances?**

If reported, we believe that only critical audit matters related to the current fiscal period should be communicated, unless they were also relevant to the prior fiscal period.

**25. Do the illustrative examples in the Exhibit to this Appendix provide useful and relevant information of critical audit matters and at an appropriate level of detail? Why or why not?**

The illustrative examples are generally useful and informative.

**26. What challenges might be associated with the comparability of audit reports containing critical audit matters? Are these challenges the same for audits of all types of companies? If not, please explain how they might differ.**

If the proposal is implemented, we are concerned about consistency between audit reports of critical audit matters and believe that the standard should be further developed to help auditors in their determination of the significance of audit matters. Tools such as threshold determinations would be useful, and we encourage further development and expansion of examples to assist auditors in their identification of critical audit matters and the consistent reporting of these matters.

**27. What benefits or unintended consequences would be associated with requiring auditors to communicate critical audit matters that could result in disclosing information that otherwise would not have required disclosure under existing auditor and financial reporting standards, such as the examples in this Appendix, possible illegal acts, or resolved disagreements with management? Are there other examples of such matters? If there are unintended consequences, what changes could the Board make to overcome them?**

We believe that in practice, such requirements will result in entities reporting the substance of critical audit matters in the notes to the financial statements, to the extent they are not already included, and the inclusion of this information in the audit report would add little value to the users. We are also concerned that the incentives for consistent reporting of critical audit matters across entities would likely lead to “boilerplate” reporting language for each type of critical audit matter. Further, we believe that such a requirement may increase the risk of blurring the roles between entity management and the auditor, as it requires the auditor to comment on elements that are currently management’s responsibility to discuss or disclose under current accounting standards.

**28. What effect, if any, would the auditor’s communication of critical audit matters under the proposed auditor reporting standard have on an auditor’s potential liability in private litigation? Would this communication lead to an unwarranted increase in private liability? Are there other aspects of the proposed auditor reporting standard that could affect an auditor’s potential liability in private litigation? Are there steps the Board could or should take to mitigate the likelihood of increasing an auditor’s potential liability in private litigation?**

We do not offer a response to this question.

**29. Is it appropriate for the Board to include the description of the circumstances that would require explanatory language (or an explanatory paragraph) with references to other PCAOB standards in the proposed auditor reporting standard?**

We believe that it would be appropriate for the PCAOB to include such a description.

**30. Is retaining the auditor's ability to emphasize a matter in the financial statements valuable? Why or why not?**

We believe that the retention of the Emphasis of Matter paragraphs is valuable. These paragraphs provide additional information not included elsewhere in the auditor's report. This would also be consistent with the other standard setters' approaches.

**31. Should certain matters be required to be emphasized in the auditor's report rather than left to the auditor's discretion? If so, which matters? If not, why not?**

We believe that the inclusion of Emphasis of Matter paragraphs should be left to the auditor's discretion.

**32. Should additional examples of matters be added to the list of possible matters that might be emphasized in the auditor's report? If so, what matters and why?**

The proposed examples are generally sufficient, unless additional examples would be required to enhance consistency with the standards of other standard setters.

**33. Are the proposed amendments to PCAOB standards, as related to the proposed auditor reporting standard, appropriate? If not, why not? Are there additional amendments to PCAOB standards related to the proposed auditor reporting standard that the Board should consider?**

Please see our responses to the previous questions.

**34. What are the potential costs or other considerations related to the proposed amendments? Are these cost considerations the same for all types of audits? If not, explain how they might differ?**

Please see our responses to questions 21, 22, and 23.

**35. Are the proposed auditor reporting standard and amendments appropriate for audits of brokers and dealers? If yes, are there any considerations that the Board should take into account with respect to audits of brokers and dealers?**

We support consistency in auditor reports for all entities as variations would be confusing to the users of the financial statements.

**36. Is the requirement of the proposed auditor reporting standard to communicate in the auditor's report critical audit matters appropriate for audits of brokers and dealers? Why or why not?**

Please see our response to question 35.

**37. Since a broker or dealer may elect to file with the SEC a balance sheet and related notes bound separately from the annual audited financial statements, should the Board address situations in which the auditor may issue two different reports for the same audit of a broker or dealer? Why or why not?**

Please see our response to question 35.

**38. Are the proposed auditor reporting standard and amendments appropriate for audits of investment companies? If yes, are there any considerations that the Board should take into account with respect to auditor's reports on affiliated investment companies, as well as companies that are part of master-feeder or fund of funds structures?**

Please see our response to question 35.

**39. Are the proposed auditor reporting standard and amendments appropriate for audits of benefit plans? If yes, are there any considerations that the Board should take into account with respect to audits of benefit plans?**

Please see our response to question 35.

**40. Should audits of certain companies be exempted from being required to communicate critical audit matters in the auditor's report? Why or why not?**

Please see our response to question 35.

**41. Is the Board's effective date appropriate for the proposed auditor reporting standard? Why or why not?**

We ask the PCAOB to be consistent with the effective dates of other standard-setting bodies' new requirements regarding auditor reporting.

**42. Should the Board consider a delayed compliance date for the proposed auditor reporting standard and amendments or delayed compliance date for certain parts of the proposed auditor reporting standard and amendments for audits of smaller companies? If so, what criteria should the Board use to classify companies, such as non-accelerated filer status? Are there other criteria that the Board should consider for a delayed compliance date?**

We do not support a delayed compliance date as we believe it would cause confusion for users of the financial statements.

## **Appendix 6**

**1. Is the scope of the proposed other information standard clear and appropriate? Why or why not? Are there Exchange Act documents, other than annual reports, that the Board should consider including in the scope of the proposed other information standard?**

We encourage development of examples of quantitative and qualitative financial information that may be included in other information to assist auditors in their evaluation of other information.

**2. Is it appropriate to apply the proposed other information standard to information incorporated by reference? Why or why not? Are there additional costs or practical issues with including information incorporated by reference in the scope of the proposed other information standard? If so, what are they?**

We do not support the application of the proposed other information standard to information incorporated by reference. Such information may be difficult for users to locate and may be subsequently modified after the date of the auditor's report.

- 3. Is it appropriate to apply the proposed other information standard to amended annual reports? Why or why not? Are there additional costs or practical issues with including amended annual reports in the scope of the proposed other information standard? If so, what are they?**

We agree that it is appropriate to apply the proposed standard to amended reports in relation to the other information previously reviewed.

- 4. Should the company's auditor, the other entity's auditor, or both have responsibilities under the proposed other information standard regarding audited financial statements of another entity that are required to be filed in a company's annual report under Article 3 of Regulation S-X? Why or why not? Are these practical issues with applying the proposed other information standard to the other entity's audited financial statements?**

We do not offer a response to this question.

- 5. Do the objectives assist the auditor in performing the procedures required by the proposed other information standard to evaluate the other information and report on the results of the evaluation?**

We believe that the requirements should be further developed to help the auditor determine the significance of its findings and the manner in which these findings should be presented in the report. Tools such as threshold determinations and a description of qualitative and quantitative factors would be useful.

- 6. Is it appropriate to require the auditor to evaluate the other information for both a material inconsistency and for a material misstatement of fact? If not, why not?**

While we agree that expanding the auditor's responsibility for other information has merit, we are concerned about the requirement in paragraph 3 of the proposed standard regarding material misstatements of fact. We believe that the identification of any material misstatements of fact should be based solely on the procedures in paragraph 4 of the proposed standard. However, we are concerned that the current proposed standard is unclear as to whether the auditor would be required to identify material misstatements of fact, beyond those that would be identified through performing the procedures described in paragraph 4 of the proposed standard. We believe it is important that this requirement be clearly stated to avoid confusion in its application

- 7. Would the evaluation of the other information increase the quality of information available to investors and other financial statement users and sufficiently contribute to greater confidence in the other information? If not, what additional procedures should the Board consider?**

It is unclear whether the evaluation of the other information would increase the quality of information available, but it could provide users with greater clarity about the auditor's responsibilities with respect to such information and greater confidence in the quality of the information.

- 8. Is the federal securities laws' definition of materiality the appropriate standard for the auditor's responsibility to evaluate the other information? Would applying the definition represent a change to the materiality considerations auditors currently use under AU sec. 550?**

Please see our response to question 5.

- 9. Are the proposed procedures with respect to evaluating the other information clear, appropriate, and sufficient? If not, why not?**

We are concerned that the proposed procedures may not provide sufficient detail for auditors to be consistent in their evaluation of other information. We encourage the Board to develop examples of quantitative and qualitative information to aid the auditor's evaluation of the other information

- 10. Is it understood which amounts in the other information the auditor would be required to recalculate under paragraph 4.d.? If not, why not?**

Please see our response to question 1.

- 11. Are there additional costs beyond those described in this Appendix related to the proposed required procedures for the evaluation of the other information? If so, what would these costs be?**

We do not offer a response to this question.

- 12. Are the proposed auditor responses under paragraph 5 appropriate when the auditor indentifies a potential material inconsistency, a potential material misstatement of fact, or both? If not, why not?**

We agree with the proposed responses.

- 13. Are there additional costs beyond those described in this Appendix related to responding when the auditor identifies a potential material inconsistency, a potential material misstatement of fact, or both? If so, what would these costs be?**

The costs would likely vary by the nature of the potential material inconsistency or material misstatement of fact.

- 14. Are the proposed auditor's responses under paragraph 8 and 9 appropriate when the auditor determines that the other information that was available prior to the issuance of the auditor's report contains a material inconsistency, a material misstatement of fact, or both? Why or why not?**

We agree with the proposed responses.

- 15. Is it appropriate for the auditor to issue an auditor's report that states that the auditor has identified in the other information a material inconsistency, a material misstatement of fact, or both, that has not been appropriately revised and describes the material inconsistency, the material misstatement of fact, or**

**both? Under what circumstances would such a report be appropriate or not appropriate?**

Please see our response to question 14.

**16. Are the proposed auditor's responses under paragraphs 10 and 11 appropriate when the auditor determines that the other information that was not available prior to the issuance of the auditor's report contains a material inconsistency, a material misstatement of fact, or both? Why or why not?**

We agree with the proposed responses.

**17. Are the proposed auditor's responses appropriate when, as a result of the procedures performed under the proposed other information standard, the auditor determines that there is a potential misstatement in the financial statements? Why or why not?**

We agree with the proposed responses.

**18. Is the proposed reporting, including the illustrative language, appropriate and sufficiently clear? If not, why not?**

We believe that paragraphs 13 and 14 provide adequate illustrative language.

**19. Should the Board consider permitting or requiring the auditor to identify in the auditor's report information not directly related to the financial statements for which the auditor did not have relevant audit evidence to evaluate against? If so, provide examples?**

We do not support a requirement for an auditor to identify information not directly related to the financial statements for which the auditor did not have relevant audit evidence to evaluate against, as we question what value this would add for users of the financial statements.

**20. What additional costs would the auditor or the company incur related to auditor reporting when the auditor identifies a material inconsistency, a material misstatement of fact, or both?**

The additional costs will likely vary depending on the nature of the material inconsistency or material misstatement.

**21. Would the proposed reporting, including the illustrative language, provide investors and other financial statement users with an appropriate understanding of the auditor's responsibilities for, and the results of, the auditor's evaluation of the other information? Why or why not?**

We believe the proposed reporting is appropriate.

**22. Are there any practical considerations that the Board should consider when an auditor identifies a material inconsistency or a material misstatement of fact in the other information that management has appropriately revised prior to the issuance of the auditor's report?**

If management has revised the material inconsistency or material misstatement of fact in other information prior to the issuance of the auditor's report, a practical consideration may be evaluation of the cause of the material inconsistency or material misstatement of fact. If the inconsistency or misstatement was caused by a control deficiency, the auditor should consider following the same process of evaluation as used for those deficiencies that cause material misstatements in the financial statements. The auditor may also consider whether it was an intentional act and could reflect on the integrity of management.

**23. Are the proposed responsibilities of the predecessor auditor appropriate and sufficiently clear? If not, why not?**

The responsibilities are clear and follow logically from the requirements in the standards. However, from an implementation perspective, the role of ensuring that the predecessor auditor fulfills the responsibilities would most likely fall on the successor auditor.

**24. What effect, if any, would the reporting under the proposed other information standard have on an auditor's potential liability in private litigation? Would this reporting lead to an unwarranted increase in private liability? Are there steps the Board could or should take related to the other information requirements to mitigate the likelihood of increasing an accounting firm's potential liability?**

We do not offer a response to this question.

**25. Would reporting under the proposed other information standard affect an auditor's potential liability under provisions of the federal securities laws other than Section 10(b) of the Exchange Act, such as Section 11, of the Securities Act? Would it affect an auditor's potential liability under state law?**

We do not offer a response to this question.

**26. Are the proposed amendments to PCAOB standards, as related to the proposed other information standard, appropriate? If not, why not? Are there additional amendments to PCAOB standards related to the proposed other information standard that the Board should consider?**

We feel the proposed amendments are generally appropriate, unless additional amendments would be required to be consistent with the standards of other standard setters.

**27. In the situations described in the proposed amendments to existing AU sec. 508, should the Board require, rather than allow, the auditor to include statements in the auditor's report that the auditor was not engaged to examine management's assertion on the effectiveness of internal control over financial reporting and that the auditor does not express an opinion on management's report?**

We believe the decision to include such statements should be left to the discretion of the auditor.

**28. Are the proposed other information standard and amendments appropriate for audits of brokers and dealers? If not, why not?**

We support the proposed requirements being applied consistently.

**29. Is the Board's effective date appropriate for the proposed other information standard? Why or why not?**

We ask the PCAOB to be consistent with the effective dates of other standard-setting bodies' new requirements regarding auditor reporting.

**30. Should the Board consider a delayed compliance date for the proposed other information standard and amendments for audits of smaller companies? If so, what criteria should the Board use to classify companies, such as non-accelerated filer status? Are there other criteria that the Board should consider for a delayed compliance date?**

We support a uniform date for compliance with the proposed other information standard and amendments to avoid confusion.

**31. Should the Board extend the application of the proposed other information standard to documents containing audited financial statements and the related auditor's report that are filed under the Securities Act? If so, are there obstacles other than those previously mentioned that the Board should consider before such a proposal is made? If not, why not?**

We do not support extending the application of the proposed standard.

**32. Are there some elements of the proposed other information standard that the Board should consider requiring the auditor to perform related to other information contained in filings under the Securities Act, such as the auditor's responsibility to evaluate the other information? If so, which elements of the proposed other information standard should the Board consider including in the procedures currently required for Securities Act documents under AU sec. 711? If not, why not?**

Please see our response to question 31.

**33. What costs or other challenges should the Board consider when assessing whether to propose extending some elements of the proposed other information standard to other information contained in documents filed under the Securities Act?**

We do not offer a response to this question.