

Pw's SAS 59 Comments:

FIVE Editorial Comments:

As the auditor's world of business relationships becomes more intertwined within the world of cyber space (mobile and the Cloud), there must be more emphasis upon the cross-pollination of ideas and strategies between the professional associations and their respective skill sets: PCAOB and Cloud Computing CSA (Cloud Security Alliance), Mobile Computing, AICPA and ITIL, COSO, ISSA, ICS², COBIT and IIA, ISACA, CIA, NIST, and TOGAF, et al....

ONE: Each standard should, at a minimum be able to stand on its own, without a constant use of referencing other standards, (aka: referencing away from the material contained within each standard). For example, each standard should contain the following introduction, (See the following):

“Ensure your approach to each engagement meets the following minimum professional and ethical standards regarding your duties and responsibilities. The results of your work should be:

- Timely,
- Clear
- Concise
- Convincing
- Complete
- Objective
- Accurate, and last but not least...
- Correct...”

as a simple reminder of why we're all here....

TWO: Always provide an example to clarify an important/material point. Is there an integrity disconnect between their financial reporting and business risks. For example, disconnect between an entity's valuations and market valuations, based upon:

- Lack of disclosure
- Data integrity
- Accuracy of calculations
- Methods used
- Basic assumptions create a waterfall effect

not just a 'one-off' event.

THREE: Note: The following examples of procedures may identify such conditions and events and therefore must be treated as both sensitive and confidential. As a result, such reviews and analysis require

a formal procedure whereby it is the duty and responsibility of the auditor to ensure strict access control, that is controlled by the auditor without; exception, caveat and/or qualifications.

FOUR: Identify whether or not testing was available and used during the audit and were the test results included in the final report. Such testing pertains to the controls in-place and not the processes itself, such as the following forms of testing:

- Inquiry
- Inspection
- Re-performance and
- Walk-throughs

Ensuring that the tests fit the control in-place, (aka: the test, tests what it is supposed to test). The test should fit the nature of the control

FIVE: Remove any and all straw man arguments with their implied intent to protect the auditor from claims of malfeasance, such as the following:

Pg. 6: "1. Are the objectives of the auditor appropriate?"

CHANGE TO:

" 1. Are the responsibilities and duties of the auditor to both the client and the client's stakeholders appropriate?"

PAGE 10 - ITEM 4. "...The fact that the entity may cease to exist as a going concern subsequent to receiving a report from the auditor that does not refer to the auditor having substantial doubt, even within one year following the date of the financial statements, does not, in itself, indicate inadequate performance by the auditor....." "does not, in itself,"represents a straw man argument, adding nothing of value to this discourse...

Ergo, nothing exists in isolation. For example, an accumulation of random, disconnected bits of information, when reassembled, can present a very distinct relationship between cause and effect, without relying on skills and acumen which are beyond an auditor's purview... (See: Objectives- 6. Item c.: "determine the implications for the auditor's report..." As we see it, determining the implications is beyond the auditor's purview. For example: would an auditor be aware of the implications of the following: a 'Clawback clause' (aka: please return your bonus sir, or go to jail, your choice), or a 'Mac clause' (aka: Material Adverse Change in Economic Conditions).

Item c. represents duties and responsibilities far beyond an auditor's purview. The auditor's job is to ascertain the correctness of the data, not the 'implications' of same. For example, in the auditor's Final Report, based upon historical, generally accepted industry specific evidence, other entities demonstrating similar characteristics have faced severe and critical hurdles regarding survivability within the next 12 to 18 months, without addressing and correcting the incidents addressed by the following (cite events here):

PG. 10, ITEM 4---Delete: "The auditor cannot predict such future conditions or events." This sentence represents a totally useless, meaningless and self-serving statement.

PG. 10, ITEM 4---Delete the rest of the paragraph, and replace with the following:

As an audit is not conducted within a sound proof bubble of isolation, the same is true regarding the subsequent verifiable and factual conclusions contained within the auditor's final report. The auditor's responsibilities (slash) duties are to the client and the client's stakeholders. Therefore, an auditor must enter into any engagement with this sense of responsibility and duty to both parties. As a result, during the entire life cycle of an engagement, this dual obligation requires a strong sense of skepticism, followed by a trust but verify approach. For example, whenever legitimate access is denied when attempting to verify material statements made by the client, each event slash indicator, must be formally documented. When these events accumulate, they will morph into an Incident Report, which is not a good thing. At which time the Incident Report must be discussed with the client, as to the negative impact the Incident Report will have upon the audit, by handcuffing the auditor. At the conclusion of the audit engagement, those same documents must be included, either in the final report or in separate report (read addendum) addressing these indicators as a:

- lack of disclosure,
- veracity
- transparency, and/or
- trust

encountered during the audit.

Included in the final report, will be a statement identifying each of the indicators and how they represent a negative impact upon the survivability of the entity at this point in time, if not addressed and corrected.

Communication With Those Charged With Governance

17. CHANGE A - FROM: "a. The nature of the conditions or events identified"

TO: "a. The nature of the conditions or events identified. For example, any and all areas where legitimate access was denied. Areas hidden from the auditor, thereby handcuffing the auditor from adequately verifying material statements presented by the entity as truthful and correct."

Written Representations

18. CHANGE B. FROM: "b. that the financial statements disclose all of the matters of which management is aware that are relevant to the entity's ability to continue as a going concern, including principal conditions and events, and management's plans

TO: "b. that the financial statements disclose all of the matters that are relevant to the entity's ability to continue as a going concern, including principal conditions and events, and management's plans

PURPOSE: The purpose for removing "...of which management is aware..." closes the door on the following defense:

- "...WELL, WE JUST WEREN'T AWARE THAT IT WAS THAT BAD...HONEST....."

Comparative Presentations

19. PLEASE NOTE: These conclusions from a prior period should be repeated and included with the final auditor's report, as they provide a clear and precise historical assessment of representing good useful information demonstrating that improvements and progress have been made regarding the efficacy of management to work through and remove deficiencies previously identified. For these reasons, a brief summary stating the resolution should be included with the report, as it is an indicator with positive attributes.

Application and Other Explanatory Material Evaluating Whether Substantial Doubt Exists

Identifying Conditions or Events That Indicate Substantial Doubt May Exist (Ref: par. 8)

- **Note:** The following examples of procedures may identify such conditions and events and therefore must be treated as both sensitive and confidential. As a result, such reviews and analysis require a formal procedure whereby it is the duty and responsibility of the auditor to ensure strict access control, controlled by the auditor:

Add the following bullets:

A1.

- Review documents such as processes and procedures, using them as a 'reality check' against how things really are getting done
- Review any and all correspondence from regulatory agencies
- Conduct confidential Delphi interviews with the entities personnel, customers, clients and suppliers

A6. The following is quite good, however, can we add a sample or two of verbiage on the positive side?

Examples of appropriate wording in the emphasis-of-matter paragraph include the following:

Insert words of praise here (*****).