



May 15, 2018

American Institute of Certified Public Accountants  
Auditing Standards Board  
220 Leigh Farm Road  
Durham, North Carolina 27707-8110

Anders Minkler Huber and Helm, LLP (Anders) appreciates the opportunity to respond to the request for comments on three Auditing Standards Board (ASB) Proposed Statements on Auditing Standards issued November 28, 2017:

1. Auditor Reporting
2. The Auditor's Responsibilities Relating To Other Information Included In Annual Reports
3. Omnibus Statement on Auditing Standards

We understand the ASB's strategic initiative to converge U.S. auditing standards with those of the International Auditing and Assurance Standards Board, and we are generally supportive of that initiative, to an extent. However, our clients do not typically participate in a high level of international business activities; therefore, the users of our clients' financial statements often have considerably different needs than users of publicly traded entities' financial statements. Furthermore, the litigious nature of our U.S. marketplace, which is also vastly different than that of the global market, truly warrants certain auditor protections. We feel that certain aspects of the proposals do not adequately protect the auditor from these threats.

We have significant and fundamental concerns with many aspects of the proposals, and we have outlined our most serious concerns below. We have also responded to each proposal's request for specific comments in the following pages.

- We believe the communication of Key Audit Matters (KAMs), or exclusion of KAMs, will be widely misinterpreted and misunderstood. We feel strongly that the requirements and guidance in the proposed SAS will undoubtedly lead to divergence in practice and, in turn, general misperceptions and misunderstanding between practitioners, clients, and users of the financial statements of nonissuers. The inclusion of KAMs may eventually be considered a "best practice" by some readers, which would call into question those auditors and entities whose reports lack this information. This confusion and variance in practice could lead to further unnecessary litigation and regulatory complaints.

- The requirement to conclude on the entity's ability to continue as a going concern, and include such conclusion affirmatively in the auditor's report, establishes a dangerous precedent. Auditors employ reasonable judgments about going concern based on management's assertions, but no auditor can affirmatively predict the future. The auditor's report is not the appropriate venue for such a prediction. Furthermore, Generally Accepted Accounting Principles in the United States (GAAP) now clearly place the responsibility for going concern assertions on management – not the auditor. There are no carve-outs for other, routine GAAP assertions, and the auditor's general opinion already contemplates the entity's ability to continue as a going concern. Any affirmative statements emphasizing this are unnecessary and potentially harmful to the auditor.
- Annual reports are largely undefined in the FASB Codification. Privately-held entities have little or no GAAP guidance with respect to annual reports, and, therefore, the inclusion of any annual report material in an auditor's scope and opinion seems to be an overreaching imposition to these clients.

Again, we appreciate the opportunity to comment and we look forward to the Board's future work on these and other professional standards.

Respectfully submitted,

**ANDERS MINKLER HUBER & HELM LLP**  
**Certified Public Accountants**

A handwritten signature in blue ink that reads "Anders Minkler Huber & Helm LLP". The signature is written in a cursive, flowing style.

## ANDERS Responses to Specific Requests for Comment

AICPA Exposure Draft: Proposed Statement on Auditing Standards: Auditor Reporting. Issued November 28, 2017; Comments Due May 15, 2018. Submit to Sherry Hazel at Sherry.Hazel@aicpa-cima.com

---

### ***Proposed SAS Forming and Opinion and Reporting on Financial Statements (AU-C section 700)***

1. Are the proposed revisions to existing requirements clear and understandable, and is the application material helpful in supporting the application of those requirements?

- **Anders' Response:** Generally, the proposed revisions are clear and understandable. However, we have identified certain proposed revisions which lack clarity or have conflicting underlying guidance. These areas are addressed throughout our comment letters.

2. Are the descriptions of the responsibilities of management and the auditor relating to going concern (paragraphs 31*b* and 36*biv*) useful and understandable, in view of the calls for more information in the auditor's report about their respective responsibilities in this area? Would any modifications to the descriptions of management's responsibility be necessary for any specific financial reporting framework? Are there any concerns about possible confusion or misinterpretation about the auditor's responsibilities, in particular the requirement to conclude on the entity's ability to continue as a going concern, recognizing that the description is consistent with the requirement in paragraph .20 of AU-C section 570 (SAS No. 132)?

- **Anders' Response:** We have very strong concerns about the potential for confusion or misinterpretation of the auditor's responsibilities here. As stated in our Introduction and General Comments Letter, the requirement to conclude on the entity's ability to continue as a going concern, and include such conclusion affirmatively in the auditor's report, establishes a dangerous precedent. Auditors employ reasonable judgements about going concern based on management's assertions, but no auditor can affirmatively predict the future. Furthermore, FASB Accounting Standards Update 2014-15 clearly places the responsibility for going concern assertions on management – not the auditor. There are no carve-outs for other, routine GAAP assertions, and the auditor's general opinion already contemplates the entity's ability to continue as a going concern. Any affirmative statements emphasizing this are unnecessary and potentially harmful to the auditor.

3. Will the requirement to identify those responsible for the oversight of the financial reporting process present any practical difficulties when those responsible for the oversight of the financial reporting process are also responsible for preparation of the financial statements (as may be the case, for example, in a small owner-managed entity)?

- **Anders' Response:** Indeed, we feel the potential for difficulties is strong, particularly in the case of small owner-managed entities.

4. Does the expanded description of the auditor's responsibilities, including the key features of the audit, provide useful information and greater transparency into what an audit is and what the auditor does? Are there any aspects of the auditor's responsibilities that should be added?

- **Anders' Response:** While we do not object to the expanded description of the auditor's responsibility (with the noted exception of concluding on going concern discussed in #2), we do not feel these expanded descriptions will provide greater transparency to the audit report.

## **ANDERS Responses to Specific Requests for Comment**

AICPA Exposure Draft: Proposed Statement on Auditing Standards: Auditor Reporting. Issued November 28, 2017; Comments Due May 15, 2018. Submit to Sherry Hazel at Sherry.Hazel@aicpa-cima.com

---

### ***Proposed SAS Communicating Key Audit Matters in the Independent Auditor's Report (proposed new AU-C section 701)***

5. What are your views regarding whether the requirements and guidance in the proposed SAS will be helpful for auditors in determining and communicating KAMs?

- **Anders' Response:** As stated in our Introduction and General Comments Letter, we feel strongly that the requirements and guidance in the proposed SAS will undoubtedly lead to divergence in practice and, in turn, general misperceptions and misunderstanding between practitioners, clients, and users of the financial statements of nonissuers.

6. Is it sufficiently clear that the communication of KAMs is not required for audits of nonissuers?

- **Anders' Response:** On this matter, the proposal may be sufficiently clear to the practitioner. However, we feel the divergence in practice will cause great confusion to the users of the financial statements. Banks, lenders, grantors, etc. will certainly lose comparability from one entity to the next as some auditors communicate KAMs while other do not. The inclusion of KAMs may very likely be considered a "best practice" by some readers, which would call into question those auditors and entities whose reports lack this information.

Furthermore, what constitutes a KAM is subject to interpretation.

### ***Proposed SAS Modifications to the Opinion in the Independent Auditor's Report (AU-C section 705)***

7. Are the revisions to existing requirements clear and understandable, and is the application material helpful in supporting the application of those requirements?

- **Anders' Response:** We feel the revisions in the section are clear and understandable, and that the application material is helpful.

### ***Proposed SAS Emphasis-of-Matter and Other-Matter Paragraphs in the Independent Auditor's Report (AU-C section 706)***

8. Are the revisions to existing requirements clear and understandable, and is the application material helpful in supporting the application of those requirements?

- **Anders' Response:** We feel the revisions in the section are clear and understandable, and that the application material is helpful.

9. Is the interrelationship between emphasis-of-matter or other-matter paragraphs and KAMs clear and understandable, recognizing that the communication of KAMs is not required for audits of nonissuers? If not, what additional guidance would be helpful?

- **Anders' Response:** While the interrelationship between EOM and OM paragraphs and KAMs is clear in the proposal, we have previously expressed concern about the inclusion of KAMs in general.

## **ANDERS Responses to Specific Requests for Comment**

AICPA Exposure Draft: Proposed Statement on Auditing Standards: Auditor Reporting. Issued November 28, 2017; Comments Due May 15, 2018. Submit to Sherry Hazel at Sherry.Hazel@aicpa-cima.com

---

### **Issues for Consideration**

#### **Issue 1—Timing of Communications With Those Charged With Governance**

10. Should the requirement in AU-C section 260 be more specific regarding the timing of communication about certain matters with those charged with governance, including whether there should be a requirement for certain communications to be made prior to issuance of the auditor's report?

- **Anders' Response:** We strongly agree with the Board's conclusion to retain the flexibility in the timing of communications given the variety of circumstances that may be encountered by auditors of nonissuers.

#### **Issue 2—Addressee in the Auditor's Report**

11. Please provide your views on the following:

- a. Would including the city and state of the addressee in the auditor's report be beneficial to users of the financial statements?
- b. What would the practical implications be if such a requirement were adopted?

- **Anders' Response:** We strongly agree with the Board's decision to NOT require the client's address in the auditor's report.

#### **Proposed Amendments Addressing Disclosures in the Audit of Financial Statements**

12. Are the proposed changes appropriate and sufficient for purposes of enhancing the focus of the auditor on disclosures and, thereby, further enhancing audit quality?

- **Anders' Response:** We agree that the proposed changes enhance the focus on disclosures for some auditors. However, we are skeptical that these requirement will enhance or improve audit quality overall. High quality auditors already give great attention and focus to disclosures.

13. Are there any specific areas where, in your view, additional enhancements to either the requirements or application material would be necessary for purposes of effective auditing of disclosures as part of a financial statement audit?

- **Anders' Response:** We did not identify any such specific areas.

14. Will the proposed changes to the assertions in AU-C section 315 help appropriately integrate the auditor's audit approach to the risk of material misstatement in the disclosures with the audit work on the underlying amounts, thereby promoting a more effective audit of disclosures?

- **Anders' Response:** Again, we believe that quality auditors already integrate the auditor's approach to the risk of material misstatement in the disclosures with the audit work on the underlying amounts.

## ANDERS Responses to Specific Requests for Comment

AICPA Exposure Draft: Proposed Statement on Auditing Standards: The Auditor's Responsibilities Relating To Other Information Included In Annual Reports. Issued November 28, 2017; Comments Due May 15, 2018. Submit to Mike Glynn at mike.glynn@aicpa-cima.com

---

1. Do the proposed revisions clarify the scope of documents required to be subjected to the auditor's procedures?

- **Anders' Response:** We feel the scope is clear.

2. Does the proposed requirement for the auditor to determine, through discussion with management, and obtain management's written acknowledgment regarding, which document or documents make up the annual report, and the entity's planned manner and timing of the issuance of such documents appropriately achieve the intent of ensuring that both the auditor and management understand the documents that are considered to constitute the entity's annual report and therefore are subject to the auditor's procedures required by the proposed SAS?

- **Anders' Response:** We **do not** believe that it will be possible to ensure that management understands the documents that are considered to constitute the entity's annual report. As stated in our Introduction and General Comments Letter, there is very little GAAP guidance regarding annual reports. While the auditing standards will be understood by auditors, it is unreasonable to expect management to fully understand and comply with that which is largely undefined in GAAP.

3. Will the work effort required by the proposed standard, in view of the proposed definitions, result in an improvement of the auditor's understanding of the auditor's responsibility for other information and, as a result, enable the auditor to perform a more thorough reading and challenging of statements included in (or omitted from) the other information that are inconsistent with the audited financial statements or the auditor's knowledge obtained as part of the audit? Does the proposed SAS provide adequate guidance with respect to the auditor's consideration of omitted or obscured information?

- **Anders' Response:** We find the proposal to be overly confusing and, in some aspects, contradictory to itself. For example - regarding obtaining information, the proposal Paragraph 13 states the auditor should do the following:

"a. Determine, through discussion with management, and obtain management's written acknowledgment regarding, which document or documents compose the annual report, and the entity's planned manner and timing of the issuance of such documents. b. Make appropriate arrangements with management to obtain in a timely manner and, if possible, prior to the date of the auditor's report, the final version of the document or documents composing the annual report. c. When some or all of the documents determined in (a) will not be available until after the date of the auditor's report on the financial statements, request management to provide a written representation that the final version of the documents will be provided to the auditor when available, and prior to the document's issuance by the entity, such that the auditor can complete the procedures required by this proposed SAS. 14. If the auditor becomes aware that the entity did not provide the auditor with the final version of documents determined in accordance with paragraph 13a to be part of the annual report prior to the issuance of those documents to third parties, the auditor should take appropriate action."

## ANDERS Responses to Specific Requests for Comment

AICPA Exposure Draft: Proposed Statement on Auditing Standards: The Auditor's Responsibilities Relating To Other Information Included In Annual Reports. Issued November 28, 2017; Comments Due May 15, 2018. Submit to Mike Glynn at [mike.glynn@aicpa-cima.com](mailto:mike.glynn@aicpa-cima.com)

---

**Anders' Response (Continued):** Meanwhile, the proposed reporting guidance in Paragraph 22 states "The auditor's report should include a separate section with the heading 'Other Information,' or other appropriate heading, when, at the date of the auditor's report, the auditor has obtained some or all of the other information." However there is no reporting guidance to correspond to Paragraph 13 c.

Furthermore, we are extremely troubled by the remedies provided re: Paragraph 14 (in Application Paragraph 27), which state "In accordance with Paragraph 14, appropriate actions that the auditor may take include these: Obtaining those documents from management and performing the procedures required by this proposed SAS as soon as practicable, Communicating the matter to those charged with governance, if applicable, Considering the need to obtain legal advice." We believe it is highly inappropriate for the auditing standards themselves to refer practitioners and firms to seek legal counsel.

Finally, this scenario could create a significant problems vis-à-vis AU-C 560 and AU-C 230.

4. Does the proposed SAS provide adequate guidance for group auditors when a group auditor decides to make reference to a component auditor in the auditor's report on the group financial statements?

- **Anders' Response:** The guidance provided with respect to group audits appears adequate.

5. Does the proposed requirement for the auditor to include a separate section in the auditor's report addressing other information appropriately convey the nature and extent of the auditor's consideration of other information without inappropriately implying that the auditor has obtained assurance on or is expressing an opinion or conclusion on the other information?

- **Anders' Response:** We feel very strongly that the inclusion of a separate section in the auditor's report addressing other information will inappropriately imply that the auditor is expressing an opinion or conclusion on the other information. Furthermore, we believe the communication as proposed, would be far more appropriate in a management letter or communication to those charge with governance.

## **ANDERS Responses to Specific Requests for Comment**

AICPA Exposure Draft: Proposed Statement on Auditing Standards: Omnibus Statement on Auditing Standards—2018. Issued November 28, 2017; Comments Due May 15, 2018. Submit to Sherry Hazel at [Sherry.Hazel@aicpa-cima.com](mailto:Sherry.Hazel@aicpa-cima.com)

---

### **Issue 1: Significant Unusual Transactions**

Please provide your views on the use of the phrase “significant unusual transactions” instead of the phrase “significant transactions that are outside the normal course of business or that otherwise appear to be unusual” consistently throughout GAAS.

- **Anders’ Response:** We agree with the Board in this case that a consistent phrase between GAAS and PCAOB standards may enhance audit quality.

### **Issue 2: Proposed Amendment to AU-C section 240**

Please provide your views on whether requiring these procedures, in particular the procedure of “evaluating the financial capability of the other parties with respect to significant uncollected balances, loan commitments, supply arrangements, guarantees, and other obligations, if any,” is appropriate for audits of financial statements of nonissuers or whether these procedures would be better placed as application material.

- **Anders’ Response:** We believe these procedures would be better placed as application material. As currently drafted in the proposal, the specific procedure of “evaluating the financial capability of the other parties with respect to significant uncollected balances, loan commitments, supply arrangements, guarantees, and other obligations, if any” is ambiguous and lacks clear scope.