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Proposed Statement on Auditing Standards – The Auditor’s Responsibilities Relating to Other Information Included in Annual Report

The California Society of CPA’s (“CalCPA”) Accounting Principles and Assurance Services Committee (the “Committee”) is the senior technical committee of CalCPA. CalCPA has approximately 43,500 members. The Committee consists of 55 members, of whom 45 percent are from local or regional firms, 32 percent are from large multi-office CPA firms, 12 percent are sole practitioners in public practice, 6 percent are in academia and 5 percent are in international firms. Members of the Committee are with CPA firms serving a large number of public and nonpublic business entities, as well as many non-business entities such as not-for-profits, pension plans and governmental organizations.

The Committee supports the board’s project to clarify guidance in AU-C 720. The follow is an outline of our responses to the committee’s specific.

- 1. Do the proposed revisions clarify the scope of documents required to be subjected to the auditor’s procedures? If you believe additional revisions or guidance is necessary, please be specific and provide reasons why additional revisions or guidance is necessary.**

Yes; the proposed revisions clarify the scope of documents subject to audit procedures.

- 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?**

Yes; we believe the requirement for the auditor and management to discuss and acknowledge which documents make up the annual report and planned manner and timing of issuance will ensure that the auditor and management agree on the scope of the annual report document and planned procedures.

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?**

Yes; we believe the proposed standard will result in a more thorough reading and challenging of the statements and other information.

4. **Does the proposed SAS provide adequate guidance with respect to the auditor's consideration of omitted or obscured information?**

Yes; the proposed SAS provides adequate guidance to the auditor on omitted or obscured information.

5. **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?**

Yes; the proposed SAS provides adequate guidance for group auditors to make reference to component auditors.

6. **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?**

The committee feels this requirement should not be required but allowed to be optional. Once the auditor issues an audit report, they cannot control when and in what subsequent context the report appears and whether the information contained in the annual report may change. Since there is no requirement for the auditor to "consent" or "re-issue" an audit report with an annual report, this requirement should be optional as is in current practice.

Conversely, we believe the absence of a statement about include other information should be sufficient for most readers of the financial statements.

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

Sincerely,



Matthew J. Lombardi
Chair
Accounting Principles and Assurance Services Committee
California Society of Certified Public Accountants