



Baker Tilly Virchow Krause, LLP
205 N Michigan Ave
Chicago, IL 60601-5927
tel 312 729 8000
fax 312 729 8199
bakertilly.com

May 15, 2018

Ms. Sherry Hazel
Auditing Standards Board
American Institute of Certified Public Accountants
1211 Avenue of the Americas
New York, NY 10036-8775

Sent via email: Sherry.Hazel@aicpa-cima.com

Proposed Statement on Auditing Standards, *The Auditor's Responsibilities Relating to Other Information Included in Annual Reports*

Dear Ms. Hazel:

We appreciate the opportunity to comment on the exposure draft referenced above.

By way of background, Baker Tilly Virchow Krause, LLP is a large, nationally recognized accounting firm operating primarily in the Midwest and Northeast regions of the United States. We have approximately 300 partners and employ more than 2,700 persons. Our practice is diverse, offering accounting and auditing services as well as tax and consulting services across a broad spectrum of industries and geographies.

Effective Date

We believe an effective date of less than a year from the date that the proposed standard is finalized will not allow auditors sufficient time to update their audit methodologies. Therefore, we recommend that the proposed effective date be at least one year from the date that the proposed standard is finalized.

Our remaining comments will be in the form of responses to specific questions included in the exposure draft.

Specific Request for Comment 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.

We believe the proposed definition of "annual report" will result in inconsistent application and conclusions, and therefore, should be further clarified. The definition states that an annual report, "...usually includes information about the entity's developments, its future outlook and risks and uncertainties, a statement by the entity's governing body, and reports covering governance matters." When entities issue documents, or a combination of documents, that include some, but not all, of these elements, or issue documents with elements similar to these elements, but not exactly the same as these elements, we believe that auditors will have a difficult time determining whether the documents, or combination of documents, meet the proposed standard's definition of an annual report.

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For example, the “annual report” described in paragraph A7 is quite common, but many of these documents, or combinations of documents, lack one or more of the elements described in the proposed standard’s annual report definition such as a statement by the entity’s governing body or reports covering governance matters. The absence of these elements will likely lead some auditors to conclude that the documents do not meet the proposed standard’s annual report definition. We recommend that the proposed standard clearly state which elements, if any, must be present for a document, or combination of documents, to be considered an annual report. Likewise, if other elements are simply included in the proposed standard as examples of the types of information that may be commonly included in annual reports, that should be clearly stated as well.

The term “custom” is used in the annual report definition and throughout the proposed standard. This term is not commonly used in this context in the United States, therefore, another word such as “practice” or “convention” might better convey what we believe the proposed standard is intending to communicate by the use of this term.

This proposed standard applies when client documents meeting the proposed standard’s definition of an annual report contain, accompany or incorporate by reference the financial statements and the auditor’s report thereon. However, we do not believe that the auditor’s responsibilities, if any, are clear when client documents contain, accompany, or incorporate by reference the financial statements and the auditor’s report thereon, but the documents do not meet the proposed standard’s definition of an annual report. Therefore, we recommend that the auditor’s responsibilities, if any, in this situation be explicitly stated in the proposed standard.

We believe that the following should be added to paragraph A9 of AU-C section 720 as examples of documents that are not typically part of a combination of documents that make up an annual report: 1) the reporting package required to be submitted to the Federal Audit Clearinghouse to comply with Uniform Guidance and 2) continuing disclosures (EMMA).

Specific Request for Comment 3

Does the proposed SAS provide adequate guidance with respect to the auditor’s consideration of omitted or obscured information?

We believe that the guidance related to the auditor’s consideration of omitted information should be clarified. The performance requirements in paragraph 15 do not specifically mention omitted information, but the definition of a misstatement of other information includes the following, “...omits...information necessary for a proper understanding of a matter disclosed in the other information,” therefore, it is implied that the auditor is responsible for considering whether other information has been omitted. While paragraph .A13 clarifies that the auditor is not responsible for searching for omitted information, we believe that the guidance in the proposed standard should be further enhanced by adding guidance that the auditor is only responsible for “obvious” omissions. We do not believe that merely reading other information is sufficient for an auditor to be expected to identify anything other than obvious misstatements.

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Specific Request for Comment 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?

Despite stating that the auditor does not express an opinion or any form of assurance on the other information included in the annual report, we believe financial statement users may infer that assurance is being expressed as a result of the reporting requirement included in the proposed standard; therefore, we recommend reporting only be required when the auditor has identified an uncorrected material misstatement. If the requirement to report when no uncorrected material misstatements have been identified is not removed from the proposed standard, we believe the reporting requirements in paragraphs 23.d. (describing the auditor's responsibilities) and 23.e.i. (stating that the auditor has nothing to report when no uncorrected material misstatements are identified) should be removed from the proposed standard. We believe removing these paragraphs would reduce the risk that financial statement users might infer that assurance is being expressed.

We appreciate the opportunity to provide the above comments and are available for further discussion with the Board if that would be useful to the process. Should you wish to discuss any of these comments, please contact David Johnson, Professional Practice Group Partner, at david.johnson@bakertilly.com or 608 240 2422.

Sincerely,

BAKER TILLY VIRCHOW KRAUSE, LLP

Baker Tilly Virchow Krause, LLP