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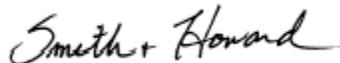
Re: Proposed Statement on Auditing Standards, *The Auditor's Responsibilities Relating to Other Information Included in Annual Reports*

Dear Mr. Glynn:

Smith & Howard PC appreciates the opportunity to comment on the Proposed Statement on Auditing Standards, *The Auditor's Responsibilities Relating to Other Information Included in Annual Reports*. We appreciate the Auditing Standards Board's effort to improve audit standards; however, we believe that the proposed revisions to AU-C section 720, *Other Information in Documents Containing Audited Financial Statements*, will put undue burden on auditors. Specifically, we believe the removal of the "other information of which the auditor is aware" clause (existing paragraph .06) will result in difficult application of the proposed standard for entities with less sophisticated management. We believe smaller entities, including many owner-managed and small not-for-profit entities, may be unable to properly identify information within the scope of the proposed standard. The practical result is that the burden to show completeness of information considered will fall on the auditor, which consequently will increase the scope of procedures required by the auditor and potentially reduce the cost-benefit of any value gained.

The following appendix contains our responses to specific requests for comment from the exposure draft.

Yours truly,



Smith & Howard PC

Appendix A

Responses to Requests for Comment

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.

Smith & Howard response:

While the proposed revisions clarify the scope of documents to be subjected to the auditors' procedures, we also note that proposed revisions eliminate the "other information of which the auditor is aware" condition currently existing in AU-C section 720 (paragraph .06). We believe the removal of this clause is detrimental as, regardless of the clarified definition of what is considered in-scope, entities with less sophisticated management may be unable to adequately identify and provide this other information, which then, consequently, places additional burden on the auditors. We believe this both changes the scope of procedures required of the auditor and is not cost-beneficial, which is contrary to the stated benefits of the proposed SAS.

Specific Request for Comment 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?

Smith & Howard response:

As noted above, we believe that in practice less sophisticated entities may be unable to adequately identify what information is required to be other information in-scope for these procedures, which then, consequently, places inappropriate burden on the auditors. We believe this both changes the scope of procedures required of the auditor and is not cost-beneficial, which is contrary to the stated benefits of the proposed SAS.

Specific Request for Comment 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?

Smith & Howard response:

No specific changes considered necessary on these particular points, but see our general comments above regarding the overall problems with the proposed revisions.

Specific Request for Comment 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?

Smith & Howard response:

No specific changes considered necessary on these particular points, but see our general comments above regarding the overall problems with the proposed revisions.

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?

Smith & Howard response:

We believe the proposed requirement for the auditor to include a separate section in the auditors' report addressing other information is appropriate when such information is included with the audited financial statements and auditors' report. However, that section of the auditors' report should be limited to identifying that information and indicating we offer no opinion on that information. Specifically, we believe the example language included in the proposed revisions should be modified as follows:

Other Information [Included in the Annual Report]

Management is responsible for the other information [included in the annual report]. The other information comprises the [information included in the X report], but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an opinion or any form of assurance on it.

~~In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.~~