



ILLINOIS CPA SOCIETY

May 15, 2018

AICPA Auditing Standards Board
Mike Glynn – mike.glynn@aicpa-cima.com

RE: Proposed Statement on Auditing Standards – *The Auditor’s Responsibilities Relating to Other Information Included in the Annual Reports*

Dear Committee Members:

The Audit and Assurance Services Committee of the Illinois CPA Society is pleased to comment on the proposed Statement on Auditing Standards (SAS) *The Auditor’s Responsibilities Relating to Other Information Included in the Annual Reports*. The organizational and operating procedures of the Committee are reflected in the attached Appendix A to this letter. These comments and recommendations represent the position of the Audit and Assurance Services Committee of the Illinois CPA Society (“Committee”) rather than any members of the Committee or of the organizations with which such members are associated.

While the Committee acknowledges that auditor reporting on other information may result in the benefits described in the Background section of the proposed SAS, we believe that increasing auditor involvement with this information would require appreciably more clarity than is offered in the proposed SAS. Examples of matters that were not clear to some of our Committee members include:

- Whether auditor involvement with information outside of the audited financial statements is a service that management could request (or deny) or whether it is something that is required on every audit that involves “other information.”
- An operational definition of the scope of information that may be subject to the auditor procedures included in the proposed SAS.
 - Does the scope involve either management or auditor choice as to what is to be considered part of an “annual report” and part of “other information”?
 - If it is a matter of management’s choice, we note that some management teams will be incented to have little to no “other information” to avoid auditor involvement – in terms of costs, timing and scrutiny. On the other hand, other management teams will welcome auditor involvement on the chance that the related auditor reporting on such other information will be wrongly considered by users either as some form of assurance on that other information or as incremental assurance over the audited financial statements.
 - If it is not a matter of choice, the current definition, perhaps in particular to the use of the word “custom,” leaves ample opportunity uncertainty as to what is and what is not considered “other information.” For example, is a Chairman’s letter part of an “annual report”? Paragraph A15, notes that a Chairman’s letter may be included in “other information”, but that “other information” needs to first be a part of an “annual report” before it is subjected to the auditor’s procedures under this proposed SAS. Is a listing of top customers and their expected sales volume for the current year that is customarily provided by management to the entity’s two owners along with the annual audited financial statements a part of an “annual report”?



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- Paragraph 13 indicates that the auditor should determine which document(s) compose the “annual report”, but it is not clear if that determination would include consideration of only documents that management first determines are part of the “annual report” or whether it would include all possible types of financial information that might arguably meet the stated definition of “other information”.
- In the event that auditor involvement is always required (as opposed to being requested by management), if management and the auditor disagree on what constitutes “other information,” how is that disagreement supposed to be addressed?
- Is listing in the engagement letter the specific document(s) that compose the “annual report” adequate resolution between management and the auditor of what those documents are?
- We believe that the “annual report,” as defined in the proposed SAS, is meant to refer to a specific document or set of documents that most stakeholders would readily think of as an annual report. However, the current guidance allows for diverging views which could expose auditors to reporting on one set of documents while the readers of the auditor’s report believes that a different set of documents is covered by our report. We acknowledge that the auditor is not providing any assurance on the other information. However, a stakeholder that identifies information published by the entity that the auditor did not consider as “other information” is, in fact, materially inconsistent with the financial statements, can claim that the auditor’s reporting was incorrect.
- The potential confusion related to reporting on “other information” that is not yet available to the auditor when the auditor’s report is signed and issued.
 - Users of the auditor’s report that do not obtain some of the “other information” along with an earlier-delivered auditor’s report may not understand what the reporting on “other information” relates to.
 - Regardless of the representations the auditor obtains from management at the auditor’s report issuance date, the later-released “other information” may, in fact, contain materially inconsistent information that user of the auditor’s report were led to believe would not contain such information.
- Because the “annual report” does not necessarily get bound with, or even delivered with, the audited financial statements and related auditor’s report, the user of the auditor’s report may not specifically know what “other information” the reporting on such refers to, especially if such information is not more specifically described (as allowed by the proposed SAS).
- The extent of required documentation in this circumstance where assurance is not provided on the matters covered by the auditor’s procedures. For example, is a statement that the auditor performed the procedures adequate documentation as opposed to having documentation that indicates the comparison of other information to corresponding information in the audited financial statements or audit work papers and, in certain cases, perhaps to work papers obtained solely to assist the auditor in performing the procedures required by the proposed SAS?

More specifically, we offer the below responses to the Specific Requests made in the proposed SAS:



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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.*

See above.

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?*

See above.

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?

We believe that the proposed definitions and guidance related to reading other information are operational and will improve the auditor's understanding of its responsibilities.

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?*

We believe that the proposed guidance regarding when group auditors decide to make reference to a component auditor in the auditor's report is adequate and operational.

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?*

We believe that the proposed requirement for auditor reporting on other information appropriately conveys the nature and extent of the auditor's consideration of that information without implying that the auditor has obtained assurance on or is expressing an opinion or conclusion on that other information. We do, however, recommend the addition of the word "above" in the second relevant



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paragraph of the auditor's report so that it reads "Our above opinion on the financial statements..."
See above regarding future "other information."

The Committee appreciates the opportunity to express its opinion on this matter. We would be pleased to discuss our comments in greater detail if requested.

Sincerely,

Scott Cosentine, CPA

Chair, Audit and Assurance Services Committee

Genevra D. Knight, CPA

Vice Chair, Audit and Assurance Services Committee



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APPENDIX A

AUDIT AND ASSURANCE SERVICES COMMITTEE
ORGANIZATION AND OPERATING PROCEDURES
2018 – 2019

The Audit and Assurance Services Committee of the Illinois CPA Society (Committee) is composed of the following technically qualified, experienced members. The Committee seeks representation from members within industry, education and public practice. These members have Committee service ranging from newly appointed to almost 20 years. The Committee is an appointed senior technical committee of the Society and has been delegated the authority to issue written positions representing the Society on matters regarding the setting of audit and attestation standards. The Committee's comments reflect solely the views of the Committee, and do not purport to represent the views of their business affiliations.

The Committee usually operates by assigning Subcommittees of its members to study and discuss fully exposure documents proposing additions to or revisions of audit and attestation standards. The Subcommittee develops a proposed response that is considered, discussed and voted on by the full Committee. Support by the full Committee then results in the issuance of a formal response, which at times includes a minority viewpoint. Current members of the Committee and their business affiliations are as follows:

Public Accounting Firms:

National:

Todd Briggs, CPA	RSM US LLP
Scott Cosentine, CPA	Ashland Partners & Company LLP
Jennifer E. Deloy, CPA	Marcum LLP
James J. Gerace, CPA	BDO USA, LLP
Michael R. Hartley, CPA	Crowe Horwath LLP
James R. Javorcic, CPA	Mayer Hoffman McCann P.C.
Elizabeth J. Sloan, CPA	Grant Thornton LLP
Amber Sarb, CPA	RSM US LLP
Richard D. Spiegel, CPA	Wipfli LLP
Timothy Van Cott, CPA	Sikich LLP
Daniel Voogt, CPA	Grant Thornton LLP

Regional:

Michael Ploskonka, CPA	Selden Fox, Ltd.
Genevra D. Knight, CPA	Porte Brown LLC
Andrea L. Krueger, CPA	CDH, P.C.

Local:

Arthur Gunn, CPA	Arthur S. Gunn, Ltd.
Lorena C. Johnson, CPA	CJBS LLC
Mary Laidman, CPA	DiGiovine, Hnilo, Jordan & Johnson, Ltd.
Carmen F. Mugnolo, CPA	Mugnolo & Associates, Ltd.
Jodi Seelye, CPA	Mueller & Company LLP



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