



May 15, 2018

Mike Glynn, Senior Technical Manager
AICPA Auditing Standards Board
American Institute of Certified Public Accountants
220 Leigh Farm Road
Durham, NC, 27707-8110

Re: *The Auditor's Responsibilities Relating to Other Information Included in Annual Reports*

Dear Mr. Glynn,

The North Carolina Association of Certified Public Accountants (NCACPA), representing over 14,000 North Carolina CPA members in public practice, industry, government, and education, welcomes the opportunity to respond to the ASB Exposure Draft (ED), *The Auditor's Responsibilities Relating to Other Information Included in Annual Reports*. The NCACPA formed a task force consisting of representatives from the Accounting and Attestation Committee, Governmental Accounting & Auditing Committee, Not-For-Profit Committee, Members in Business & Industry Committee, and Employee Benefit Plans Committee to deliberate the exposure draft.

The joint task force appreciates the effort the Auditing Standards Board put forth in developing these proposed changes as well as the opportunity to respond to the exposure draft. After thoughtful review the task force submits the following responses for consideration.

Question 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?*

Our accounting & auditing, government and non-profit committee members feel that the Data Collection Form was improperly left out of the discussion in the guidance. The Data Collection Form is very similar to the Annual Report in that it is tethered to the financial statement audit by way of reference to the report's wording and also includes a portion of results written by management that the auditor should read before submission.

Question 2: *Does the proposed requirement for the auditor to determine, through discussion with management, and obtain management's written acknowledgement 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?*

We do not feel this is a troublesome area as we can clearly define what makes up the annual report in the engagement letter, the representation letter and the auditor's report. For governmental or non-profit management discussion & analysis sections, the format for the order of presentation is fairly common in the industry and is typically clearly labeled.

The joint task force would like the Board to be aware that there is possible difficulty when the auditor releases the audit report before getting a chance to read the annual report because the annual report was generated after the 60 day audit lock down date for the audit since we are allowed to release the report and read the information in the annual report at a later date.

Question 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?

While we agree with the new standard, we believe the majority of auditors are already performing the audit procedures the guidance is now specifically identifying.

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

The joint task force would like the words "known" and "unknown" to differentiate before the word "omitted" in regards to information to protect the auditor legal repercussions from unknown omitted information. Although, a little further in the guidance you do state the auditor is not required to search for omitted information or to determine the completeness of the other information.

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

If the component auditor is mentioned in the report, should the component auditor be given the opportunity to read the other information in relation to the work they have performed? We would expect that when a component auditor is mentioned in the report they would be allowed to confirm or deny that they were able to read the other information in the annual report. If the group auditor takes full responsibility for the reasonableness of the other information, then the component auditor would likely not be mentioned in the report.

Question 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?*

The new report wording appears to be clear to all readers that no assurance will be provided on the other information and clearly identifies what pages will be considered as other information in the overall report.

The joint task force appreciates the opportunity to respond to this ED on behalf of NCACPA members. If you would like additional discussion with respect to the above comments, please contact Allan Kitchen, Chair of the NCACPA Joint Committee Exposure Draft Response Task Force, at 704-307-2418.

Sincerely,

Allan Kitchen, Chair
NCACPA Joint Committee Exposure Draft Response Task Force

cc: Rollin J. Groseclose, CPA, CGMA, Chair, NCACPA Board of Directors
Sharon H. Bryson, M.Ed., NCACPA CEO
Mark P. Sotichack, CPA, CGMA, NCACPA COO
Jackie Asekhauno, Staff Liaison, Joint Committee Exposure Draft Response Task Force
Jonathan C. Kraftchick, CPA, Chair, NCACPA Accounting & Attestation Committee
April L. Adams, CPA, Chair, NCACPA Governmental Accounting & Auditing Committee
Robert B. Schneider, CPA, Chair, NCACPA Not-For-Profit Committee,
James F. Winters, III, CPA, CGMA, CIA, Chair, NCACPA Members in Business & Industry Committee
Starla C. Hughes, CPA, Chair, NCACPA Employee Benefit Plans Committee