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June 30, 2021

Ms. Sherry Hazel
American Institute of Certified Public Accountants
1345 Avenue of the Americas, 27th Floor
New York, NY 10105
USA

Re: Proposed Statement on Auditing Standards, *Inquiries of the Predecessor Auditor Regarding Fraud and Noncompliance with Laws and Regulations*

Dear Ms. Hazel:

Deloitte & Touche LLP (“D&T,” “our,” or “we”) appreciates the opportunity to respond to the request for public comment from the Auditing Standards Board (ASB or Board) of the American Institute of Certified Public Accountants (AICPA) on its proposed Statement on Auditing Standards (SAS) , *Inquires of the Predecessor Auditor Regarding Fraud and Noncompliance with Laws and Regulations* (“the proposed SAS”), related to amendments to SAS No. 122, *Statements on Auditing Standards: Clarification and Recodification, as amended, Section 210, Terms of Engagement [AICPA, Professional Standards, AU-C 210]*.

Overall Comment

We are supportive of the ASB’s proposal to amend generally accepted auditing standards to require a successor auditor to specifically inquire of the predecessor auditor regarding identified or suspected fraud or noncompliance with laws or regulations (“NOCLAR”), **when and only if** management authorizes the predecessor auditor to respond fully to the inquiries. It is our view that the divergence with International Standards on Auditing (“ISAs”) to require consent of management is appropriate and necessary for our jurisdiction, given requirements within the AICPA Code of Professional Conduct, as well as other legal ramifications of disclosing confidential client information.

We also believe that there are circumstances when a predecessor auditor’s response may need to be limited; therefore we are supportive of retaining certain exceptions in the amended standard for the predecessor auditor to not fully respond to inquiries of the successor.

Specific Comments

Our responses to the questions posed in the Explanatory Memorandum and specific instances of changes recommended are included in the following appendixes:

- [Appendix I](#) — Request for Comment by the ASB.
- [Appendix II](#) — Recommendations.

In the appendix, any recommendations for deletions are noted in ~~strikethrough~~ text.

The markup of the paragraphs within Appendix II assume the amendments in the proposed SAS are accepted by the ASB as final.

* * * * *

We would be pleased to discuss our letter with you at your convenience. If you have any further questions, please contact Tania Sergott at (203) 563-2616.

Sincerely,

A handwritten signature in cursive script that reads "Deloitte & Touche LLP".

Deloitte & Touche LLP

Appendix I — Request for Comment by the ASB

Below are our responses to the requests for specific comments by the ASB.

Management Authorization of Communication Between Auditor and Predecessor Auditor

Does the respondent agree with the ASB’s determination that it is appropriate to retain the requirement for the auditor, prior to accepting an initial audit, including a reaudit engagement, to request management to authorize the predecessor auditor to respond fully to the auditor’s inquiries? If not, why not, and how would the respondent revise the requirement (for example, by making the procurement of management’s agreement a precondition for the auditor to accept the engagement or requiring the auditor to communicate with the predecessor auditor without management’s authorization)?

Yes. D&T strongly believes the requirement to obtain management’s authorization for the predecessor auditor to respond to the auditor’s inquiries should be retained in US generally accepted auditing standards. In the absence of any valid laws or government regulations requiring disclosure, failure to obtain approval from management prior to disclosing confidential information would be in violation of professional standards within the AICPA Code of Professional Conduct. In addition, requiring management authorization is consistent with the requirements of the standards of the PCAOB (PCAOB AS 2610, *Initial Audits — Communications between Predecessor and Successor Auditors*).

Knowledge Transfer From Predecessor Auditor to Auditor

Are the proposed requirements appropriate and complete, including whether it is appropriate to continue to provide an exception that permits the predecessor auditor to decline to respond to the auditor’s inquiries due to impending, threatened, or potential litigation; disciplinary proceedings; or other unusual circumstances? If not, please suggest specific revisions to the proposals.

Yes. D&T supports, pursuant to obtaining authorization from management, the requirements in paragraph 12 for the successor auditor to specifically inquire about identified or suspected fraud and matters involving NOCLAR. D&T also supports retaining the exception in paragraph 13 that permits the predecessor to decline or limit their response due to unusual circumstances.

Documentation

Is the proposed requirement appropriate and complete? If not, please suggest specific revisions.

Yes. D&T believes the documentation requirements in the proposed amended SAS are clear and appropriate.

Proposed Effective Date

Are respondents supportive of the proposed effective date? If you are not supportive, please provide reasons for your response.

Yes. D&T is supportive of the proposed effective date.

Appendix II — Recommendations

We recommend the edits noted below to the *Requirements* and related *Application and Other Explanatory Material*.

We recommend that paragraphs .13 and .A34 be revised to remove the statement that “circumstances when a predecessor auditor’s response would be limited would be rare.” Regardless of whether the circumstances are rare, if they exist, then the predecessor auditor may decide to limit their response. We do not believe it is necessary to state the frequency of when a predecessor auditor may limit their responses because it is inherent to the nature of the circumstances described.

.13 If, pursuant to paragraph .11, management authorizes the predecessor auditor to respond to the auditor’s inquiries regarding matters that will assist the auditor in determining whether to accept the engagement, the predecessor auditor should respond to the auditor’s inquiries on a timely basis and, on the basis of known facts, unless prohibited by applicable law. However, when the predecessor auditor decides, due to impending, threatened, or potential litigation; disciplinary proceedings; or other unusual circumstances, not to fully respond to the auditor’s inquiries, the predecessor auditor should clearly state that the response is limited. ~~Such circumstances are expected to be rare. (Ref: par. .A33–.A35)~~

.A34 Before responding to the auditor’s inquiries made pursuant to paragraph .12, the predecessor auditor may consider it appropriate to obtain legal advice to determine whether any professional or legal requirements or unusual circumstances may limit the predecessor auditor’s ability to respond. If, due to impending, threatened, or potential litigation; disciplinary proceedings; or other unusual circumstances, the predecessor auditor does not fully respond to the auditor’s inquiries, pursuant to paragraph .13 the predecessor auditor is required to clearly state that the response is limited. ~~Such circumstances are expected to be rare.~~