

**From:** [John R. Roberts](#)  
**To:** [Comments](#)  
**Subject:** Fwd: PCAOB Release No. 2013-005: Rulemaking Docket Matter No. 034  
**Date:** Friday, December 06, 2013 6:51:10 PM

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Board Members and Staff of the PCAOB;

Thank you for providing me with an opportunity to share my views on the above referenced Release and Rulemaking Docket Matter. Over the last ten years I served at various times as the Audit Committee Chairman of three public companies listed on the New York Stock Exchange. I clearly recognize the importance of fairly presenting the financial position and results of operations of any enterprise and the auditors role in providing assurance. I do have some serious concerns with the proposed standards which would expand the standard audit report and add additional assurance on other information in documents containing audited financial statements. I must point out these are my personal views and not necessarily the views of the companies on whose Boards I serve. I will attempt to be brief.

#### The Responsibility for Full and Fair Disclosure Rests with Management

It has always been and will remain a registrant's responsibility for the accuracy of the financial statements and full and fair disclosure in accordance with FASB and SEC rules and regulations, which are voluminous and intended to be all encompassing. Significant risks and judgments must also be disclosed in order to properly inform a user of financial statements. As a result of a constantly growing set of requirements, financial statements and the notes thereto have become overly lengthy and complex. Further, the use of judgments and estimates pervades almost every element of the accounts in the statements. Since judgments and estimates are by their very nature imprecise, financial statements must be viewed in their totality, as has always been the case. To single out "critical audit matters" would, in my opinion, cause a focus on certain elements rather than the statements taken as a whole. Additionally, I am concerned that the proposal could be misinterpreted and could lead to unintended consequences such as restricting the critical open dialogue between the Audit Committee and the auditors over concern that such matters might become a matter of public record even if there was no impact on financial reporting.

The role and work of the PCAOB has significantly strengthened the audit process. These proposals do little, if anything, to further that process and it is difficult to see what real value is being added to the operation of the capital markets for the additional cost of this proposal. See below also.

What consideration has been given to a situation where a PCAOB examination results in a requirement that an auditor modify its report to add (or delete) a critical audit matter? Would the auditor be required to withdraw the existing report, thus invalidating the company's filings that include such statements. This could have a material impact on a company that might be in the midst of a transaction or registration even if there is no change to the financial statements or other information included in the filed documents.

#### Historical Financial Statements Play a Somewhat Limited Role in a Company's Market Valuation

While additional information about a company is provided in Management's Discussion and Analysis and other commentary in filed documents, the market (investors, analysts, etc.) values an enterprise based upon expectations for the future. Many, but not all, companies provide earnings guidance or other information, good and bad, that may impact future earnings. How would auditors be expected to give assurance on management's view of the future and what standards would be used?

While always being mindful of Regulation F-D, many companies follow earnings releases with earnings calls which are open to all interested parties. Many companies also hold investor days, speak at

industry conferences or participate in meetings sponsored by investment bankers. To what extent would auditors be required to give assurance on matters discussed at these meetings and what would be the basis for such assurance?

Investors and analysts use all of the above information as well as their knowledge of trends in the market (broadly and company specific), peer company performance, impact of existing and proposed regulations, geopolitical impacts, etc., in order to make decisions or recommendations regarding the value of a particular company. Historical and projected future earnings are then subjected to an estimated multiple in arriving at perceived value.

Thus a large variety of factors (only some of which I have attempted to outline above) enter into a valuation upon which investors may or may not act. In my opinion, it is highly doubtful that the proposed modifications to the standard auditors' report would have any meaningful impact on the market, thus any cost to implement would far outweigh its value.

I appreciate the opportunity to comment on these proposals and thank you for taking the time to consider my views.

Most sincerely,  
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