

August 12, 2016

Office of the Secretary
PCAOB
1666 K Street, N.W.
Washington, D.C. 20006-2803

RE: **Re-Issued** Proposed Auditing Standards—*The Auditor's Report on an Audit of Financial Statements when the Auditor Expresses an Unqualified Opinion and Related Amendments to PCAOB Standards*. PCAOB Release No. 2016-003 May 11, 2016.

To Whom It May Concern:

One of the expressed goals of the Texas Society of Certified Public Accountants (TSCPA) is to speak on behalf of its members when such action is in the best interest of its members and serves the cause of Certified Public Accountants in Texas, as well as the public interest. The TSCPA has established a Professional Standards Committee (PSC) to represent those interests on accounting and auditing matters. The views expressed herein are written on behalf of the PSC, which has been authorized by the TSCPA Board of Directors to submit comments on matters of interest to the committee membership. The views expressed in this letter have not been approved by the TSCPA Board of Directors or Executive Board and, therefore, should not be construed as representing the views or policy of the TSCPA.

After a thorough review of the contents of the original Exposure Draft (ED) which proposed radical changes to the auditor's report and the re-issued ED on the same subject, we decided to focus our attention on the issues therein that we consider most germane to our membership. The auditor's standard report represents the most critical communication link between the auditor and those third parties who use the auditor's report as a basis for the extent of their reliance on a client's published financial statements. We believe any proposed changes to the wording of the standard auditor's report should be viewed and evaluated in the context of this all-important communication link.

As we pointed out in our response to the original ED, we disagree with required disclosure of Critical Audit Matters (CAM) in the auditor's report. We firmly believe the inclusion of audit procedures performed on any matters would not be beneficial to the users because knowing how the auditor tested certain accounts or assertions does not give users any additional information regarding a registrant's financial position or results of operations. Adding information on the audit procedures performed would significantly increase the length of the auditor's report and decrease the clarity of the auditor's message. The negative impact on the reader's ability to understand the intended message of the report would be significant. Also, it is unlikely that the auditor will identify all the procedures performed or considerations of mitigating factors considered in the design of the audit procedures, which will serve to intensify the lack of understanding on the part of those for whom the audit report is intended. Further, we believe auditors will be prone to spend additional time performing procedures, not to assess the risks

associated with the client's financial results, but rather to include procedures that are compatible with the audit procedures included in the audit reports issued by other auditors. Also, by requiring CAMs in the auditor's report the Board has implied an auditor cannot be trusted to determine the appropriate scope of an audit engagement. Thus, the user should be informed of the auditor's scope even though most users have little or no understanding of the purpose or relevance of the audit procedures being disclosed.

If the Board chooses to include disclosure of CAMs in the final Standard, we do not believe it is appropriate for auditors to refer to relevant disclosure outside the financial statements when communicating a CAM. The requirement that auditors refer to financial statement accounts and disclosures alone is burdensome for auditors. Requiring that they also cross reference other areas of the document would be overly burdensome and would further put them in the role of management. If the Board believes it important that other areas of the document be addressed then the Board should request that the SEC propose a change in disclosure requirements of the company requiring the company to cross reference each CAM to other parts of management's document.

We see no reason to include audit-tenure language in the auditor's report. Of what relevance is such a disclosure? What's better, longer tenure, shorter tenure or no knowledge of tenure? The auditing standards that apply to the performance of an audit engagement are basically the same for the auditor whether he/she has performed the audit for a number of years or only one or two. Thus, what important inferences does the Board see the user drawing from information regarding the tenure of an auditor? If such information is deemed to possess some relevance wouldn't it be more appropriate to have it come from client management in the proxy statement or other communication (i.e. Form AP)?

While we are opposed to the notion of CAMs for all entities, we find the concept to be totally without merit for small entities. If CAMs are a part of the final standard, we encourage the Board to exclude audits of emerging growth companies, smaller reporting companies, investment companies, broker-dealers, and employee benefit plans. To require CAMs in the audit of such entities would seem to fail the cost/benefit test.

We appreciate the opportunity to provide input into the standards setting process.

Sincerely,



Jerilyn K. Barthel, CPA
Chair, Professional Standards Committee