

Docket 034: Concept Release on Possible Revisions to PCAOB Standards Related to Reports on Audited Financial Statements and Related Amendments to PCAOB Standards
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Based on my observations as a researcher and classroom discussions as an educator, please consider the following:

Changing the reporting model of the auditor's report may consider the following factors that are integral to the auditors' communication to the public reflecting both auditor's responsibilities and audit procedures' limitations:

First, due to the concept of reasonable assurance changes in auditor's reporting model would integrate clarification of reasonable assurance so the new reporting format and wording do not reflect beyond reasonable assurance, but it clarifies it. In addition, the report may indicate the level of assurance, this "very high level but not absolute assurance".

Second, in the current wording audit report, auditor's judgment is potentially only reflected in three locations while judgment involved in evaluating accounting estimates, principles and presentation and disclosure of financial statements would need great deal of explanation to reduce the expectation gap. This is important because public should not infer more than reasonable assurance, judgment and thus reducing expectation gap not increasing it.

Third, auditor's legal liability exposure is high and probably the highest in the last decade. The suggested "auditor's discussion & analysis" must be clear and beneficial to the public. However, the content of this communication is not-cost free to the auditor. The benefits to public must outweigh the costs of preparation and yet reduce expectation gap not increase it and provide a clearer understanding that "in auditor's judgment", conclusions reached are "fairly presented" or "true and fair". Therefore, integral to

changes in auditor reporting model is agreeably concept of reasonable assurance, emphasizing the independent competent expert's judgment.

The auditors' discussion and analysis is beneficial to public as long as it does not hints a level of assurance above reasonable assurance that is assessed based on auditor's judgment and as long as it is clearly written and does not exposure auditors to increased liability. One alternative is then the emphasis of matter report in which the auditor would describe issues that may need special attention.