

January 13, 2004

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

Re: PCAOB Rulemaking Docket Matter No 012

The Accounting and Auditing Procedures Committee of the Pennsylvania Institute of Certified Public Accountants has prepared the following comments with regard to the proposed PCAOB Rulemaking Docket Matter No. 012..

Comment 1:

The PCAOB (the Board) has adopted the Standards on Auditing (AU) that have been issued by the American Institute of Certified Public Accountants Auditing Standards Board (ASB). The PCAOB is suggesting in its release that their Proposed Auditing Standard *Audit Documentation* will supercede AU sec. 339. However, unless the ASB adopts the PCAOB standard to be effective for audits of non-registered companies there will be two conflicting auditing standards using the same authoritative reference. We suggest that the PCAOB, in fulfilling its requirement to establish auditing standards for audits of public companies, establish a separate and unique referencing system for its standards.

Comment 2:

The Interim Auditing Standards as adopted by the Board on April 16, 2003 included Statement on Auditing Standard (SAS) Number 96, *Audit Documentation* (AU 339). This standard is effective for audits of years beginning after May 15, 2002. Therefore, SAS 96 is just being implemented on audit engagements of companies with calendar year ends.

In Rulemaking Docket Number 012, the PCAOB proposed additional audit documentation standards. SAS 96 and the proposed standard are similar in most aspects. We suggest that the PCAOB remove the proposed additional audit documentation standards from Rulemaking Docket Number 012 and work with the ASB to amend SAS 96 to include the pertinent changes the PCAOB is seeking.

Specifically, we believe those changes to be as follows:

1. The additional requirement that the date the work was performed and reviewed should be in the audit documentation. (paragraph 4(b)).
2. Auditor independence, staff training and proficiency support, if held in a central repository in the firm, should be so indicated in the audit documentation(paragraph 8).
3. Specific language requiring audit adjustments and the ultimate resolution of those items should be included in the standards. (paragraph 9(c)).
4. Specific language identifying significant findings and issues in an engagement completion memorandum. (paragraph 10).
5. Documentation of information that contradicts the auditors' final conclusion(paragraph 12).
6. Assembly of the final set of audit documentation (paragraph 14).
7. The documentation required if additional evidence is obtained or added to the audit documentation subsequent to the completion of the engagement. (paragraph 15).

Comment 3:

The Board has proposed the requirement that audit documentation be retained for seven years from the date of completion of the engagement unless a longer period of time is required by law. The inclusion of a specific period of time in the Standard makes it difficult to quickly make changes if the underlying law (such as Section 103(a) of the Act) were to change. We propose that paragraph 13 read “audit documentation must be retained for a period of time required under applicable laws and regulations.”

Comment 4:

The Board proposed that the office of the issuing auditing firm retain the audit documentation (or copies) of work performed by others. Currently, audit firms use a variety of audit documentation techniques: manual workpapers, “over-the-counter” software systems, proprietary software systems, and a mix of the three. A current standard to enable these various systems to communicate with each other has not been established. We would suggest that this section of the proposal (paragraph 16) be eliminated and replaced by additional documentation of the inquiries made between the principal and “other” auditor, documentation of the proficiency of the other auditor (such as copies of peer review reports, resumes of key team members, etc.) and if necessary documentation of an inspection of the audit documentation that supports key financial statement areas or assertions.

Comment 5:

The Board proposed in paragraph 15 that any deletions from audit documentation be prohibited after the completion of the engagement. In paragraph 13 completion of the engagement has been defined as the date of the auditors' report. Often there are

additional procedures and wrap-up work that are completed between the actual date of the auditors' report and the issuance of the report on the financial statements. We suggest that the measurement period for determining whether audit documentation can be deleted or discarded, and whether supplemental explanations need to accompany additional information (paragraph 15) be determined based on issuance date and not audit report date. This should be clarified in paragraph 15.