From:	THOMAS SPITTERS
To:	Comments
Cc:	THOMAS SPITTERS
Subject:	Comment Letter on PCAOB Release 2016 - 003. CONFIDENTIAL.
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August 13, 2016

Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, NW
Washington, DC 20006-2803

Dear Public Accounting Oversight Board Secretary :

While it is a privilege to be able to comment on the PCAOB PROPOSED AUDITING STANDARD – "THE AUDITOR'S REPORT ON AN AUDIT OF FINANCIAL STATEMENTS WHEN THE AUDITOR EXPRESSES AN UNQUALIFIED OPINION AND RELATED AMENDMENTS TO PCAOB STANDARDS", the present commenter has read through a number of the other comment letters and concerning these, the American Accounting Association letter is an outstanding memorandum on the subject at hand, especially in its summarizing of a number of items of considerable scope and supportive prose in considerable detail, the studies cited, and the supporting language at the end of the AAA paper. In the interest of utility of time and effort, therefore, and thereby in constructively commenting on PCAOB Release 2016 – 003, proposed AS 3105 and related documentation, present author will not attempt a writing in kind.
PCAOB Release 2016 – 003 in its request for comment has called not only for letters as to the various critical audit matters (CAM's) and the proposed requirements for disclosure given the CAM's, but for consideration and understanding of the uniqueness of the U.S. financial system and its accounting in addition to that as systemically strict and stringent. The additional language as proposed for the auditor's report for issuers appears to be an effort to allow the auditor to make some technical elaboration on the financial statements that would otherwise be somewhere within the statements documentation itself. There is a question as to whether this is actually good for investors and financial statement end – users, however, as the report itself might be used as a vetting tool, or as a proxy for one by these stakeholders. In addition, the purpose in including what might be interpreted as specific and technical business entity financial information on the face of the auditor reports might prove unfounded, especially given the necessity for investors and end – users to read the entire reports. These proposed changes and others represent a departure from the practice of balance sheet and the equity method of accounting that valuably characterizes the long – standing uniqueness and separateness of U.S. accounting. In this humble author's view, one need not depart from this simply because international investors and financial statement end – users, and other stakeholders, usually do not understand such things conceptually, nor the equity method of accounting overall. Systemically, one might be in a quandary about the way this dilemma is to be resolved, and in general this would not change the auditors'

report itself as the cornerstone of financial reports, in fact due a tacit or inopportune, or even very rare plain willful ignorance of current U.S. accounting methods and practices. This interpretation of the dilemma that strict and detailed accounting rules present to stakeholders does not have to do with the principles or even rules approaches that one considers in auditing a business entity, but has more to do with what the common investor and financial statement end – user believe to be the purpose an intent of financial statements and how these are themselves evaluated and used. The proposed new framework for issuer audit reports also calls for additional communication between auditor and the business audit committee in enhancing a process that might propose additional risks to the audit while being only of ministerial or procedural importance and then of marginal benefit to stakeholders and to the value of the report form itself.

This reporting auditing standard as re - proposed allows for specific fraud language in the report, though after reading through the literature it does appear this is somewhat ambiguous as to purpose and intent in protecting who and what stakeholders involved in the production or use of specific entity financial statements, management and investors alike; and others including regulators and the public. The proposed standard also does not address the European practice of income – smoothing (or a proxy thereof) that goes hand – in – glove with European accounting methods and practices since some time ago. Further, due to an apparent departure from balance sheet accounting, any audit under this proposed accounting standard might inadvertently result in over – auditing business operations instead of attention to what are again in the U.S. more material and important line items on the balance sheet. Given again the enhancing of auditing questions around business operations, and other considerations including those of Emerging Growth Companies and the audit that influence this proposed standard, implementation of the new rules does possibly call for a financial tiering based upon assets and gross revenues of the business in deference to large issuers and their stakeholders who might more readily need the proposed disclosures and reports, and to alleviate a possibly undue compliance burden on small issuers. Also, and as mentioned in PCAOB Release 2016 – 003, there is indeed more information asymmetry with respect to details, public and private, about smaller public companies, though the economic impact of this is overshadowed by similar, yet less numerous, and much higher – impact large issuer questions. One needs consider as well whether or not the auditor is doing the equities research, benchmarking and financial scoring, and other homework of investors and financial statement end – users in integrating and implementing these proposed disclosures.

Very truly yours,

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Sent confidentially from Mail for Windows. Please pardon any typographical errors.