



DECEMBER 11, 2013

**Hunter College Graduate Program
Economics Department
695 Park Ave.
New York, NY 10065**

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

Re: Invitation to comment PCAOB PROPOSED AUDITING STANDARDS:

**THE AUDITOR'S REPORT ON AN AUDIT OF FINANCIAL STATEMENTS
WHEN THE AUDITOR EXPRESSES AN UNQUALIFIED OPINION;**

**THE AUDITOR'S RESPONSIBILITIES REGARDING OTHER INFORMATION
IN CERTAIN DOCUMENTS CONTAINING AUDITED FINANCIAL
STATEMENTS AND THE RELATED AUDITOR'S REPORT;**

AND RELATED AMENDMENTS TO PCAOB STANDARDS

To Whom It May Concern:

The Fall 2013 Advanced Auditing Class at Hunter College Graduate program in New York City appreciates the opportunity to comment on this important topic.

The class has discussed the above Invitation to Comment and offers the attached response to questions for respondents and feedback.

If you would like additional discussion with us on this topic, please contact Professor Joseph A. Maffia, at 212-792-0404.

Sincerely,

Joseph A. Maffia, CPA

Hunter College Graduate Program
Economics Department
Advanced Auditing Class
Eco 775

**Invitation to Comment
PCAOB PROPOSED AUDITING STANDARDS –**

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**AND RELATED AMENDMENTS TO PCAOB
STANDARDS**

PCAOB Release No.2013-005
August 13, 2013

Hunter College Advanced Auditing Class

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PCAOB PROPOSED AUDITING STANDARDS:

The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion (which would supersede portion of AU sec. 508, Reports on Audited Financial Statements).

The Auditor's Responsibilities Regarding Other Information in Certain Documents Containing Audited Financial Statements and the Related Auditor's Report (which would supersede AU sec. 550, Other Information in Documents Containing Audited Financial Statements).

And the related amendments to PCAOB standards.

The Advanced auditing Class has reviewed the above-referenced ITC and offers the following feedback for consideration by PCAOB.

Please note that our comments can be separated into two main categories: response to PCAOB questions and other suggestions.

For the sake of brevity we skipped those questions for which we had no substantive comments. Language that would be deleted by the proposed amendments is struck through. Language that would be changed is underlined.

Responses to PCAOB Questions:

Discussion Related to the Proposed Auditing Standard - *The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion*

Question 7.

Should the Board require a specific order for the presentation of the basic elements required in the auditor's report? Why or why not?

In our opinion the Board should require a specific order for the presentation of the basic elements required in the auditor's report. This allows the users of the auditor's report, including investors and stakeholders, to gain familiarity with the report and presents greater efficiency and effectiveness of the report if they are looking for specific information. A uniform presentation of the basic elements in the auditor's report will allow for a timelier manner to find the information needed for investors and the like.

Question 12.

Is the definition of a critical audit matter sufficient for purposes of achieving the objectives of providing relevant and useful information to investors and other financial statement users in the auditor's report? Is the definition of a critical audit matter sufficiently clear for determining what would be a critical audit matter? Is the use of the word "most" understood as it relates to the definition of critical audit matters?

In our opinion auditor's communication of critical audit matters will benefit investors and other financial statement users in their investment decision making process. It will make the auditor's report more informative – increase its relevance and usefulness. Also, we think that communicating of critical audit matters will lead to improvement of financial statement disclosures that could incrementally increase the quality of the information in the financial statements.

However, we do think that the definition of a critical audit matter is not very clear for determining what would be a critical audit matter.

The proposed auditor reporting standard defines critical audit matters as follows:

A2. **Critical** audit matters – Those matters the auditor addressed during the audit of the financial statements that (1) involved the **most** difficult, subjective, or complex auditor judgments; (2) posed ~~the most~~ difficulty to the auditor in obtaining sufficient appropriate evidence; or (3) posed ~~the most~~ difficulty to the auditor in forming an opinion on the financial statements.

In our opinion the use of the word **critical** is misleading. Critical implies that the audit could not be completed without addressing the matter that the auditor would list as a critical audit matter. When, in fact, many items are critical in an audit, nothing can be left open in order for the audit to be complete and final. We think the word critical should be replaced with **challenging**. Using the word challenging explicitly defines that the matter was difficult for the auditor to complete. When listing an item as challenging, the auditor should also have to explain why the item was challenging.

In addition, we think that the use of the word **“most”** is not clearly understood as it relates to the definition of critical audit matter. In the proposed auditor reporting standard the word “most” refers to the matter that would stand out from the other numerous matters addressed during an audit in terms of difficulty, subjectivity, or complexity. It is also not intended to imply that there is only one matter that surpasses all other matters.

In our opinion, the word “most” indicates that the matter is more challenging than all others. However, “most” implies “one”, so there could not be more than one “most critical audit matter”. As a result, we think the word “most” should not be used. Instead, the auditor should only list matters that were challenging.

Appendix 6- Additional Discussion Related to the Proposed Other Information Standard, *The Auditor’s Responsibilities Regarding Other Information in Certain Documents Containing Audited Financial Statements and the Related Auditor’s Report*, and the related amendments

Question 11

Are there additional costs beyond those described in this Appendix related to the proposed required procedures for the evaluation of the other information? If so, what would these costs be?

The audit of the additional information would increase the fees and time associated with an audit. Auditors will be spending additional time understanding the format, and usage of different forms of additional information. This “consideration” of different types of additional information will add to the workload and training of auditors. The costs associated with the additional procedures would also include more time spent on the planning and review of the audit. The planning and review of the audit would now include preparation for and revision of the audit of other information to ensure that it is properly “considered”. Auditors would require more time to “read and consider” the other information and check for material inconsistencies and material misstatements of fact.

Question 19

Should the Board consider permitting or requiring the auditor to identify in the auditor’s report information not directly related to the financial statements for which the auditor did not have relevant audit evidence to evaluate against? If so, provide examples.

In our opinion, the auditor’s procedures should not encompass evaluating information not directly related to the financial statements and for which the auditor has not obtained sufficient evidence. Requiring the auditor to identify other information not directly related to the financial statement takes responsibility away from management and the audit committee and places more on the auditor. Furthermore it expands the scope of the audit and would be more costly to the company than beneficial to users of financial statements.

Other Suggestions:

1. Discussion Related to the Proposed Auditing Standard - *The Auditor's Responsibilities Regarding Other Information in Certain Documents Containing Audited Financial Statements and the Related Auditor's Report (which would supersede AU sec. 550, Other Information in Documents Containing Audited Financial Statements)*.

In our opinion, the word “documents” in the Introduction (Paragraph 1 of the Proposed Other Information Standard) should be changed to the word “information”. In the paragraph these words being used in a similar contest which would be wrong. The word “document” would rather describe something that would serve as evidence or proof. The word “information” would mostly refer to knowledge. Using both words in a similar context is misleading.

Introduction (Paragraph 1 of the Proposed Other Information Standard)

The proposed other information standard establishes requirements regarding the auditor's responsibilities with respect to the other information in certain documents containing audited financial statements and the related auditor's report. As more fully described later in this section, the introduction to the proposed other information standard provides a description of "other information," as used in the proposed other information standard, including (1) the ~~documents~~ information to which the proposed other information standard would apply and (2) the information to which the proposed other information standard would not apply.

Moreover, the Proposed Other Information Standard uses the word “information”: “The Auditor’s Responsibilities Regarding Other **Information** in Certain Documents Containing Audited Financial Statements and the Related Auditor’s Report (which would supersede AU sec. 550, Other **Information** in Documents Containing Audited Financial Statements)”. In our opinion using the word “information” in both cases more appropriate and avoid misleading.

2. While increasing the consideration that auditors give to an annual report will assist investors, there should be an analysis of costs versus benefits. If auditors will be doing extra work to provide important information, there should be assurance that the investor will utilize the information.
3. The risk of litigation will be higher if the auditor is exercising more judgment and providing more information within the auditor’s report. If companies believe that the auditor’s report inappropriately conveys their financial position or negatively persuades investors, they may want to take legal action against the auditor. That being said, a disclaimer should be incorporated to address this issue. For instance,

“The following comments related to additional information in the annual report are based on assumptions and conclusions drawn during this company’s audit. These comments are subject to the judgment of the auditor, and should be analyzed with careful caution and consideration”