

From: [Jack Henry](#)
To: [Comments](#)
Subject: Proposed Auditing Standards
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Whenever I read proposed regulations I try to determine what problem exists that requires a new regulation. As to the proposal to "enhance" the auditor's report and to "enhance" the auditor's responsibility over other information outside the financial statements in annual reports, I do not find an existing problem that these proposals will solve.

Critical audit matters are akin to the critical accounting matters already disclosed, at least in duplicate, in the notes to the financial statements and the MD&A. Each of these began as an attempt to identify the critical matters but quickly expanded to an almost inclusive litany of all but the minor accounting matters affecting the financial statements. In practice registrants run a risk of omitting anything that litigants may subsequently deem critical. I see the same happening in this proposal so it will result in a third litany of matters already covered elsewhere in the financial statements and the annual report. The result will be additional bulk in an already bulky document. Recently, Chairman White commented on the unnecessary duplication and disclosure of information suggesting a need to streamline, not expand, data.

Asking the auditor to expand responsibility over information outside the financial statements is another solution seeking a problem to solve. Auditors already read the entire documents in which their reports are included and if they identify inconsistencies or other information with which they do not want to be associated, they can withhold their report. This proposal formalizes and expands their responsibilities which in turn will expand the scope, time and fees for their work plus increase their legal exposures.

The responsibility for complete and accurate financial statements and other information issued by issuers is that of management of the company. These proposals suggest a shift of responsibilities to the auditors. This trend leads to them, not the registrant, being responsible. At what point do they lose independence due to the expanded responsibilities?

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