



FLORIDA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

325 WEST COLLEGE AVENUE • P.O. BOX 5437 • TALLAHASSEE, FLORIDA 32314
TELEPHONE (850) 224-2727 • FAX (850) 222-8190

July 15, 2011

Office of the Secretary
PCAOB
1666 K Street N.W.
Washington, D.C. 2006-2803

VIA Email Sent to: comments@pcaobus.org

Re: PCAOB Release No. 2011-003
PCAOB Rulemaking Docket Matter No. 34

Concept Release on Possible Revisions to PCAOB Standards Related to Reports on Audited Financial Statements and Related Amendments to PCAOB Standards

Dear Board Members:

The Accounting Principles and Auditing Standards Committee of the Florida Institute of Certified Public Accountants (the “Committee”) has reviewed and discussed the above Concept Release.

The Concept Release presents four proposed alternatives which are not mutually exclusive and the Board has requested responses to each separate alternative and general matters. Addressing these areas, the Committee has the following comments related to this release:

Overview

We agree with the Board’s decision to undertake the initiative to consider improvements to the auditor’s reporting model; however not to the extent of expanding the auditor’s role in the auditing and reporting process. We believe that management should retain responsibility for their financial statements and disclosures, and that auditors should not become a source of disclosure within the reporting process. The auditor’s role should remain that of an independent auditor attesting to the fairness, in all material respects, of the financial statements presented.

Auditor's Discussion and Analysis

While we do concur there is merit for the ability to discuss or highlight significant matters in a narrative form, we feel that other alternatives would better serve this intention and do not suggest that the Board consider an Auditor's Discussion and Analysis, (AD&A) as an alternative for providing additional information in the auditor's report for commenting on the audit, the company's financial statements or both.

The financial statements are the responsibility of management and as such the information included within those financial statements should be that of management. While the AD&A, as contemplated, is not intended to provide separate assurance on individual balances, disclosures, transactions, or any other matters discussed in the AD&A, it could create confusion to the readers of the financial statements and would increase the auditor's role related to the disclosure of non-financial information.

If required, the AD&A could eventually result in boilerplate language due in part to the potential for increased audit costs and increased auditor exposure to liability. The requirement to disclose matters such as difficult or contentious issues and close calls could impair relationships or limit open communications between the auditor, management and the Audit Committee.

Required and Expanded Use of Emphasis Paragraphs

This alternative would mandate the use of emphasis paragraphs in all audit reports and would further expand the emphasis paragraph to highlight the most significant matters in the financial statements and to identify where these matters are disclosed in the financial statements. The Concept Release suggests, among other items, disclosure of audit procedures performed on significant matters. Since audit procedures should be customized specifically to address these specific matters, discussion and disclosure of such procedures within the audit report could add confusion to the readers of the financial statements if they do not have an in-depth understanding of the specific entity and of the auditing process. They may not understand the reasoning supporting the judgments and procedures unless lengthy explanations are added which will then lead to readers bypassing the emphasis paragraphs.

Additionally, if the expanded emphasis paragraphs are required, the broad use of emphasis paragraphs may serve to lessen the impact and effect of emphasis paragraphs.

Auditor Assurance on Other Information Outside the Financial Statements

This alternative would require auditors to provide assurance on information outside the financial statements, such as MD&A, or other information (for example, non-GAAP information or earnings releases).

The proposed alternative would expand the auditor's responsibility beyond the scope of the financial statements. Providing assurance to forward looking statements, such as those contained within the MD&A or certain other non-GAAP information could be very difficult unless limited to historical and current financial related disclosures. Since this approach would result in increased time and costs and could possibly constitute a new engagement, the additional potential costs compared to the potential benefits derived does not appear to support this option as the best approach for improving the quality, completeness and reliability of the financial statements and auditor's report.

Clarification of Language in the Standard Auditor's Report

We feel this proposed approach would provide a more cost efficient and meaningful manner for enhancing the auditor's reporting model. The ability to clarify and explain the auditor's responsibility and role in the audit would serve to enhance the auditor's report and would increase the readers of the financial statements knowledge of the audit process. The suggested areas of clarification are matters that are already being communicated to the Audit Committee and management, and as such should not result in significant increases of time or cost.

We believe that all of the proposed clarifications within this approach are appropriate and we did not note any potential implications to the scope of the audit or the auditor's responsibilities resulting from such clarifications. To facilitate the ease of reading and understanding the expanded auditor's report, consideration of headings for each significant paragraph within the report is suggested.

Considerations Related to Changing the Auditor's Report

Concerned about potential challenges and unintended consequences that could result from additional auditor reporting, the Concept Release requested comments related to certain effects on: audit effort; auditor relationships; audit committee governance; liability considerations; and confidentiality.

We feel the considerations presented are overall equally important as the effect and impact could vary from company to company. We suggest that a cost/benefit analysis be considered related to any changes in the auditor's reporting model and changes should be implemented only if the cost benefit is justified for the majority of the affected entities.

With some of the proposed ideas within this concept, increased auditor liability considerations are a legitimate concern especially as it would relate to assurance on information outside the financial statements.

The proposed disclosures of sensitive matters in the auditor's report do appear to offer the potential for negative effects on the relationship between the auditor, management, and the Audit

Committee, which in response could erode the overall audit effectiveness by inhibiting open communication.

We commend the PCAOB Board for their efforts and we support enhancing the communications to investors and increasing transparency related to the auditor's reporting model. Overall, we believe that the proposal for Clarification of Language in the Standard Auditor's Report presents the most cost efficient method to achieve these goals, while minimizing the overall potential challenges and unintended consequences related to additional auditor reporting.

We appreciate the opportunity to respond.

Best regards,

Robert P. Bedwell, CPA, Chair

FICPA Accounting Principles and Auditing Standards Committee

Committee members coordinating this response:

Deborah R. Fabbri, CPA

Edward Eager, CPA