



Office of the Secretary
Public Company Accounting Oversight Board (PCAOB)
1666 K Street, N.W
Washington, DC 20006-2803

Electronically submitted to comments@pcaobus.org

Re: PCAOB Release No. 2016-003
The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion, and Related Amendments to PCAOB Standards.

Dear Board Members:

The Accounting Principles and Auditing Standards Committee (the Committee) of the Florida Institute of Certified Public Accountants (FICPA) respectfully submits its comments on the referenced proposal. The Committee is a technical committee of the FICPA and has reviewed and discussed the above referenced proposed auditing Standard, including the questions posed in the proposal. The FICPA has more than 20,000 members, with its membership comprised primarily of CPAs in public practice and industry. The Committee is comprised of 20 members, of whom about 65% are either sole practitioners, or are from local or regional firms, and about 35% are from large multi-office and international firms. We are addressing this proposed auditing standard both from the viewpoint of preparers of financial statements as well as those performing attest services on them. The Committee has the following comments related to the standard, and the questions posed, in its entirety.

The Committee discussed the above referenced proposed Auditing Standard, and the questions included therein. The Committee has a fundamental disagreement with the premise that incorporating Critical Audit Matters (CAMs) and auditor tenure in the audit report will provide useful information to investors or improve audit quality. On the contrary, there may be a net loss in useful information to the investors, and a compromise in audit quality. Therefore, we did not address individual questions, since many of them presume inclusion of the CAMs. Our general disagreement with the proposed standard is based on the following reasoning:

1. Inclusion of the CAMs in the audit report may necessitate revealing audit processes and procedures while discussing how the CAMs were eventually resolved. That would make the audit more predictable, and therefore compromise on the overall audit quality.
2. There is a wide diversity among auditors in making audit risk assessments, planning and procedures, even if the resulting conclusion may be the same. Much of this diversity is attributable to differences in the audit firm's knowledge and experience in a specific industry. Hence the CAMs would not be comparable across companies even in the same industry. Therefore, this will aggravate, rather than mitigate the information asymmetry among the investors that the proposed auditing standard hopes to accomplish.

3. The Committee continues to be concerned about liability issues, despite the narrowed definition of CAMs in the re-proposed standard. It may be difficult to avoid violating certain confidential matters, and still be in compliance with disclosure of CAMs. While the re-proposed standard does allow for excluding matters that violate confidential information, it nevertheless imposes the additional burden of making such a judgment upon the auditor.
4. The Committee was concerned that revealing the CAMs may influence investors' decisions in ways that were not intended by the proposed Standard. That is, especially in the case of the less informed investor, a discussion of the risk assessment might have a dilutive effect on the audit opinion as issued under the current "Pass/Fail" model.
5. In a similar vein, including the CAMs in the audit report may introduce a bias against certain types of companies, such as smaller companies, or those in a new industry. Such companies are inherently subject to more audit procedures and communications with the Audit Committees, even if that is not reflective of the final audit conclusion. This may create a higher perception of riskiness in the minds of the investors than is warranted by the actual audit conclusion.
6. The Committee also disagrees with the inclusion of information on auditor tenure in the report since tenure is not reflective of audit quality, and will not provide useful information to the investors.

The Committee appreciates the opportunity to respond to this proposed auditing standard. Members of the Committee are available to discuss any questions you may have regarding this communication.

Respectfully submitted,

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Chair, FICPA Accounting Principles and Auditing Standards Committee

Committee members coordinating this response:
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