Glenn P. Barba
Vice President, Controller
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August 5, 2016

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

RE: PCAOB Rulemaking Docket Matter No. 034

We appreciate the opportunity to comment on Public Company Accounting Oversight Board (PCAOB) Release No. 2016-003, *Proposed Auditing Standards – The Auditor's Report On an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion; and Related Amendments to PCAOB Standards* (the "reproposed standard"). This letter contains the comments of both CMS Energy Corporation and Consumers Energy Company.

CMS Energy Corporation, whose common stock is traded on the New York Stock Exchange, is a domestic energy company engaged in electric and natural gas utility services and independent power production, operating through subsidiaries in the U.S., primarily in Michigan. CMS Energy Corporation's consolidated assets are over $20 billion and annual operating revenues are over $6 billion. Consumers Energy Company, the principal subsidiary of CMS Energy Corporation, provides electricity and/or natural gas to more than 6 million of Michigan's 10 million residents and serves customers in all 68 counties of Michigan's Lower Peninsula.

We recognize that some investors and academics have suggested that the auditor's report would be more useful and relevant if it contained more information. However, we do not believe that auditor reporting of critical audit matters will achieve the PCAOB's stated objective of increasing the informational value of the auditor's report. Rather, we believe that auditor reporting of critical audit matters could:

- decrease comparability among audit reports
- misdirect investors
- confuse investors
- create doubts about the auditor's unqualified opinion as well as the company's financial statements

Decreased Comparability: The reproposed standard would require the auditor to communicate in the auditor's report "critical audit matters," which the proposal defines as:

> *"Any matter arising from the audit of the financial statements that was communicated or required to be communicated to the audit committee and that relates to accounts or disclosures that are material to the financial statements and involved especially challenging, subjective, or complex auditor judgment."*

We continue to believe that determining which audit matters are "critical audit matters" would result in markedly decreased comparability among audit reports. Different auditors could reach significantly different conclusions about which audit matters are critical as well as how many such matters to communicate in the auditor's report. In many cases, whether an audit matter is considered critical will depend not on the quality or reasonableness of the company's accounting policies and practices, but rather on the level of expertise and experience of the auditor. Differences in the judgment and communication style of auditors as well as in the number of critical audit matters and depth of discussion provided might lead investors to perceive differences in investment risk where they do not exist.

Investor Misdirection: Our second concern with the proposal is that it could cause investors to give undue emphasis to the critical audit matters, using them as a "roadmap" to the financial statements and thereby undermining other parts of the financial statements. The rules established by the Financial Accounting Standards Board (FASB) and the Securities and Exchange Commission (SEC) are meant to provide the appropriate level of information to allow investors and financial statement users to make investment decisions. The same rules are designed to minimize information asymmetry between investors and management. Under existing rules, it is expected that management's disclosures will clearly inform investors about which areas are complex and subjective, and thus might present investment risk. Additionally, the FASB and SEC both have initiatives underway to examine the effectiveness of and framework for disclosures in an effort to improve the usefulness of the financial statements and help eliminate "disclosure overload." It should not be the intention of the PCAOB to institute a "roadmap" to guide investors to areas that might pose investment risk; rather, guidance should be provided by the standard setters to ensure that companies direct investors' attention to areas of investment risk, not audit risk.

Investor Confusion: Our third concern with the proposal is that it could lead to duplicative discussion of certain topics, once by company management and again by the auditor. For example, accounting estimates and assumptions that may be material due to the level of subjectivity and judgment required to account for highly uncertain matters must be discussed in the "Critical Accounting Estimates" section of Management's Discussion & Analysis. As we stated in our comment letters on the Concept Release and the 2013 Proposed Standard, we believe that commentary on a company's financial statements should come from a single source, rather than from both management and the auditor. Providing two perspectives on a single set of financial statements has the potential to confuse users and to reduce confidence in reported information. Furthermore, we believe that management is the best source of commentary on a company's business and financial statements. Though an auditor's understanding of a company's financial statements is more extensive than that of other third parties, it is still less complete than that of management. The degree to which the auditor must gain an understanding of the company's business, industry, transactions, and financial statements in order to render an audit opinion is substantially less than the depth of understanding required of the company's management. Correspondingly, the time the auditor devotes to gaining an understanding of these matters is a small fraction of the time invested by management. For these reasons, we believe that in order to provide users with clear and reliable information, management should be the sole source of commentary on a company's business and financial statements.

Creation of Doubts: Our final concern with the proposal is that investors could perceive the auditor's discussion of critical audit matters as "qualifying an unqualified opinion." While we understand that the PCAOB does not intend that the auditor's communication of critical audit matters be viewed as disclaiming, qualifying, restricting, or minimizing the auditor's opinion on the financial statements, investors might nevertheless perceive the communication in such a manner. We noted that the *Illustrative Examples of Critical Audit Matters* included extensive discussion of why the auditor deemed the audit matter to be a critical audit matter as well as the additional audit procedures the auditor performed as a result. Following this extensive discussion, however, there was no clear statement of the auditor's final conclusion on the critical audit matter. The reader might be left with the basic question: Did the auditor become comfortable with the critical audit matter? We realize that, by virtue of providing an overall unqualified opinion, the auditor has reached satisfactory conclusions regarding all the critical audit matters communicated. We believe, however, that the context of the discussion could cause an investor to infer that the auditor has reservations about a particular matter or, in other words, that the auditor is, in essence, qualifying its unqualified opinion. Differences in the type or extent of audit procedures disclosed by the auditor could add additional uncertainty as to whether appropriate audit procedures were performed during the audit. For an investor, this could cast doubt over the auditor's unqualified opinion as well as over a company's financial statements.

In conclusion, we believe that the proposal to require auditor reporting of critical audit matters would not achieve the PCAOB's stated objective of increasing the informational value of the auditor's report, but would in fact have the opposite effect.

Thank you for the opportunity to comment on the Proposed Standards.

Sincerely,

Glenn P. Barba

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CMS Energy Corporation and Consumers Energy Company