



July 8, 2014

Office of the Secretary
Public Company Accounting Oversight Board
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Via Email to comments@pcaob.org

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Re: PCAOB Rulemaking Docket Matter No. 40 – Supplemental Request for Comment: Proposed Framework for Reorganization of PCAOB Auditing Standards and Related Amendments to PCAOB Auditing Standards and Rules

Dear Board Members and Staff:

Grant Thornton LLP appreciates the opportunity to comment on the Public Company Accounting Oversight Board's ("PCAOB" or "Board") *Supplemental Request for Comment: Proposed Framework for Reorganization of PCAOB Auditing Standards and Related Amendments to PCAOB Auditing Standards and Rules*. Overall, we continue to support the Board's initiative. In particular, we find the online tool as most helpful. In reviewing the tool and related proposed clarifying changes to the standards, we noted the following comments and recommendations.

Proposed reorganization – demonstration version

We appreciate the Board providing the demonstration version of the new standards organization. We believe it is easily navigable, and the "Reference Tools" are particularly valuable to practitioners in evaluating differences among standards promulgated by the various authoritative bodies and in cross-referencing the old auditing standards to the new. We strongly encourage the Board to retain these tools in the final version of the tool and update on a regularly basis.

We recommend that the Board reconsider the presentation of the auditing interpretations and other guidance as we do not believe those should be separate from the auditing standards themselves. While we are not opposed to the hyperlinks to the interpretations, etc. it would be easiest to have all related literature in one spot. We believe that this would mitigate the risk of practitioners missing an important piece of guidance and allow for more efficient researching the auditing standards and related literature. Therefore, we recommend the Board incorporate the auditing interpretations directly into the standards, similar to what the Auditing Standards Board ("ASB") of the AICPA did during the clarity project.

Performing such incorporation will also provide the Board an opportunity to review the interpretations for relevancy since these interpretations were in effect more than 10 years ago. Significant changes have occurred both in accounting and in the PCAOB auditing standards (e.g. overhaul of the risk assessment standards) since 2003, and there may be unintended

consequences to holding practitioners responsible for utilizing auditing interpretations that may be outdated. For example, the first sentence of Auditing Interpretation (“AI”) 16, *Auditing Accounting Estimates: Auditing Interpretation of AS 2501* refers to December 1991 and FAS 107. Given the substantial changes that have occurred in the area of fair value since 1991, one can’t help but question whether this guidance continues to be entirely relevant to audits currently being performed.

We also believe the “Guidance Tools” could be misleading since the expectations for use are different considering the seemingly required nature of the auditing interpretations with general guidance in the Staff Audit Practice Alerts and Questions and Answers. We note the narrative at the top of each section that explains the nature of each group, but this could easily be missed. Incorporating these materials directly into the standards, as suggested above, would help with any potential confusion that the current layout may create.

Rescissions and amendments

We note that AU sec. 532 remains rescinded, and the PCAOB requests “specific examples of situations other than those covered by other PCAOB standards, for which rescinding AU sec. 532 would result in an inappropriate outcome.” We also note footnote 6, which includes, “Commenters also cited Auditing Standard No. 16, *Communications with Audit Committees* (“AS 16”), but that standard, by its terms, does not require the auditor to restrict the use of audit committee communications.” We call the Board’s attention to the fact that the issuance of AS 16 specifically amended AU sec. 532 giving the auditor the ability to restrict the communications with audit committees. By rescinding AU sec. 532, the auditor is no longer afforded the ability to restrict such communications since, as the Board noted, AS 16 itself does not provide for such restriction.

We also note the Board’s amendments to AT sec. 9101, *Attest Engagements: Attest Engagements Interpretations of Section 101*, specifically the deletion of paragraphs .43 and .44. While we recognize that AS No. 3, *Audit Documentation* superseded AU sec. 339, *Audit Documentation*, we believe it would be unclear guidance to leave the illustrative letter to regulator shown in paragraph .45 without any context. Therefore, we recommend the Board revise paragraphs .43 and .44 to refer to the applicable PCAOB standards in order to provide context for the illustrative letter.

We would be pleased to discuss our comments with you. If you have any questions, please contact Trent Gazzaway, National Managing Partner of Professional Standards, at (312) 602-8034 or Trent.Gazzaway@us.gt.com.

Sincerely,

