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May 2, 2014

Phoebe Brown  
Office of the Secretary  
Public Company Accounting Oversight Board  
1666 K Street NW, 8<sup>th</sup> Floor  
Washington, DC 20006-2808

**RE: PCAOB Release No. 2013-005, PCAOB Rulemaking Docket Matter No. 034 – Proposed Auditing Standards – The Auditor’s Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion; the Auditor’s Responsibilities Regarding Other Information in Certain Documents Containing Audited Financial Statements and the Related Auditor’s Report; and Related Amendments to PCAOB Standards**

Dear Ms. Brown:

On behalf of the California Public Employees’ Retirement System (CalPERS), thank you for the opportunity to provide our comments on PCAOB Rulemaking Docket No. 34.

CalPERS is the largest public pension fund in the United States with over \$291 billion in global assets and equity holdings in over 9,000 companies. CalPERS provides retirement benefits to more than 1.6 million public workers, retirees, and beneficiaries, and we rely on the quality and integrity of market information to allocate capital on behalf of our beneficiaries.

CalPERS strongly supports the PCAOB’s mission to “[o]versee the audits of public companies in order to protect the interests of investors and further the public interest in the preparation of informative, accurate and independent audit reports.” We are a strong advocate of reform that ensures the continual improvement and integrity of financial reporting. In our Global Principles of Accountable Corporate Governance, Principle 4 states, “[f]inancial reporting plays an integral role in the capital markets by providing transparent and relevant information about the economic performance and condition of businesses. Effective financial reporting depends on high quality accounting standards, as well as consistent application, rigorous independent audit and enforcement of those standards.”

Although, the current pass/fail model provides some value, we previously shared at a March 2011 PCAOB Investor Advisory Group, an example where the current auditors' reporting model failed to provide meaningful insight. We noted that the auditor's report for 2008, 2009, and 2010, were virtually identical for a recipient of the Troubled Asset Relief Program (TARP) funds, with the 2008 report costing \$119 million and the 2009 report costing \$193 million. What additional work was necessary for the auditor to be able to once again provide a non-descript statement that the financial statements gave a fair presentation? We will never know.

We believe the Board's proposed auditor reporting standard, the proposed other information standard with regards to an auditor's discussion and analysis, along with required and expanded emphasis paragraphs and auditor assurance on information outside the financial statements would provide investors a better range of information about the audit.

From our perspective, users will then be able to better utilize and value the audit report, enhanced reporting, and the audit opinion. We believe the utility of the auditor's report will improve with the additions outlined in the proposed rule. These include:

- Requiring the auditor to communicate in the auditor's report critical audit matters;
- A statement regarding the auditor's existing requirements to be independent of the company and identification of the year the auditor began serving as the company's auditor (tenure);
- Identification of the auditor's responsibilities for other information and the results of the auditor's evaluation of the other information; and
- Enhanced certain standardized language which would allow the auditor to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and an addition of the phrase "whether due to error or fraud.

### **Critical Audit Matters (CAMs)**

The objective of CAMS is to provide disclosures that document the basis and determination for the auditor's opinion, along with identifying the relevant financial accounts which connect the critical audit matters. Who better positioned, than the auditor, to provide insights in how, and on what basis the auditor developed its opinion? The communication of CAMs does not fundamentally change the auditor's attestation of information prepared by management and does not blur lines of management's and audit committee's responsibilities. This three-legged communication is valued by investors to provide management's, the board of director's and the independent auditor's perspective in ensuring the overall stewardship of the company.

We believe the proposed rule changes will provide four important attributes - transparency, relevance, reliability and credibility. PCAOB Chairman James Doty said,

“This is a watershed moment for auditing in the U.S.” We back the PCAOB in making a bold move by initiating meaningful change in our audit reporting model. Auditors have the ability to enhance trust, to provide additional transparency, share the significance (relevance) of their service and rebuild the credibility in the integrity of financial reporting.

We have outlined more detailed information in the supplementary appendix on the importance of the role accounting and auditing play in our capital markets and our expectations for enhanced auditor reporting.

### **Independence and Tenure of the Auditor**

Confidence in company’s audited financial statements are key to the efficient functioning of the markets and exist because auditors bring integrity, independence, objectivity and professional competence to the financial reporting process.

We believe that the lack of auditor independence negatively impacts the auditor’s objectivity. We are concerned where an audit firm receives significant fees for non-audit services. We agree that adding a statement by the auditor on their independence from the company and board of directors reinforces investors’ understanding of the auditor’s obligations to be independent and objective in expressing the audit opinion.

We also support the disclosure of the tenure of the auditor to advance the Audit Committee’s fiduciary responsibility in determining the appropriate maximum length of tenure to ensure the independence of the auditor. We believe that auditor rotation will advance having a fresh perspective, improve the independence and objectivity of an auditor and provide additional confidence in the integrity of financial reporting.

### **Auditor’s Responsibilities Regarding Other Information**

Investors require reliable in-depth information on financial reporting as well as information on strategic risks and the major operational risks related to the company’s business model. The company articulates those risks through other information such as management discussion and analysis (MD&A), selected financial data and exhibits included in annual reports but not included in the audit of the financial statements. Not only do institutional investors rely heavily on management’s disclosures to make sound investments decisions and to be able to act as engaged shareowners; it is additionally important to investors to understand the nature and scope of the auditor’s responsibilities with respect to other information as it related to consistency and factual interpretation in the audited financial statements.

We concur with the requirement that when issuing an auditor’s report, the auditor will include in a separate section explaining the auditor’s responsibilities regarding other information. The auditor should provide an explicit statement evaluating other information reviewed by the auditor for material misstatement of fact and material

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inconsistency. The statement should not only include the auditor's review of materials, but also how materials were utilized, requiring the auditor to document and share any material inconsistencies and disagreements within the enhanced audit report.

It is imperative to outline the use and responsibilities of the auditor on other information, to improve the clarity of how other information is used in the auditor's evaluation and conclusion in the audit opinion. This inclusion would be more in line with the global development towards integrated reporting.

### **Enhanced Language**

We support the proposed revision to the auditor's report to recognize the auditor's existing responsibility to obtain reasonable assurance about whether the financial statements are free of material misstatements, whether caused by error or fraud.

We applaud the work of the PCAOB, have addressed in the attachment certain questions in the proposal, and support the approach set out in the proposed rules. We refer you to the letter we submitted on the Board's concept release.

Thank you for your consideration. If you have any questions, please do not hesitate to contact me at (916) 795-9672 ([Anne\\_Simpson@calpers.ca.gov](mailto:Anne_Simpson@calpers.ca.gov)) or James Andrus at (916) 795-9058 ([James\\_Andrus@calpers.ca.gov](mailto:James_Andrus@calpers.ca.gov)).

Sincerely,

A handwritten signature in black ink that reads "Anne Simpson". The signature is written in a cursive, flowing style.

ANNE SIMPSON  
Senior Portfolio Manager  
Director of Global Governance

**Supplemental Responses of the California Public Employees Retirement System  
(CalPERS) regarding PCAOB Release No. 2013-05, PCAOB Rulemaking Docket No. 34**

Proposed Auditor Reporting Standard

*Questions related to Section II of Appendix 5*

1. Do the objectives assist the auditor in understanding the requirements of what would be communicated in an auditor's unqualified report? Why or why not?

**We believe that the objectives outlined in the proposed rule provide meaningful guidance to the auditors.**

*Questions related to Section IV of Appendix 5*

2. The proposed auditor reporting standard would require the auditor's report to be addressed at least to (1) investors in the company, such as shareholders, and (2) the board of directors or equivalent body. Are there others to whom the auditor's report should be required to be addressed?

**As shareowners such as CalPERS are the providers of capital, we believe the audit report is best addressed to shareowners. Auditors need to view investors as their ultimate client. It is imperative that a change in perspective should occur. Investors' needs should be paramount as an auditor plans, performs, reports and provides an opinion on the audited financial statements. The audit report then would address the needs of investors, and as outlined in the proposed rules would provide the auditor's perspective for the client.**

**We believe it appropriate for the audit report to be addressed to boards given their fiduciary oversight role on behalf of shareowners.**

3. The proposed auditor reporting standard retains the requirement for the auditor's report to contain a description of the nature of an audit, but revises that description to better align it with the requirements in the Board's risk assessment standards. Are there any additional auditor responsibilities that should be included to further describe the nature of an audit?

**We support the revised requirement, as outlined in Appendix 5, with the revision of better aligning the audit report with the requirements in the Board's existing standards and the eight standards (Auditing Standard Nos 8-15) that improve the description relating to an auditor's work performed in the Board's risk assessment standards.**

4. The proposed auditor reporting standard would require the auditor to include a statement in the auditor's report relating to auditor independence. Would this statement provide useful information regarding the auditor's responsibilities to be independent? Why or why not?

**Auditors play a unique role in our financial markets. The professional tension of skepticism is important to maintaining the balance of independence and ensuring open communication between the auditor, management and the Audit Committee. We believe**

**an affirmative statement concerning the auditor's independence could help demonstrate that the audit opinion is not simply a rubber stamp for management's financial reporting.**

5. The proposed auditor reporting standard would require the auditor to include in the auditor's report a statement containing the year the auditor began serving consecutively as the company's auditor.

a. Would information regarding auditor tenure in the auditor's report be useful to investors and other financial statement users? Why or why not? What other benefits, disadvantages, or unintended consequences, if any, are associated with including such information in the auditor's report?

**As supporters of periodic tendering and auditor rotation, we strongly support the disclosure of auditor tenure. As we have indicated previously, while we appreciate that professional skepticism is a component of auditor independence, we believe a fresh set of eyes would help enhance independence.**

b. Are there any additional challenges the auditor might face in determining or reporting the year the auditor began serving consecutively as the company's auditor?

**We would expect auditors would have no problems determining when it (or its predecessor firm) was first engaged as a company's auditor. Surely, each such firm maintains engagement records.**

c. Is information regarding auditor tenure more likely to be useful to investors and other financial statement users if included in the auditor's report in addition to EDGAR and other sources? Why or why not?

**The easier it is for investors to locate such information, the more useful it will be. We believe the information should be included in the audit report, as well as other sources. We also believe the years of tenure may provide Audit Committees and investors a discussion topic in the annual assessment of auditor selection and ratification.**

6. The proposed auditor reporting standard would require the auditor to describe the auditor's responsibilities for other information and the results of the evaluation of other information. Would the proposed description make the auditor's report more informative and useful? Why or why not?

**We believe there is a significant expectation gap between what information an auditor has examined and opined on and that which investors believe an auditor has examined and opined on. A description of the auditor's responsibilities for other information *would* be useful to investors if it provides a thoughtful, tailored description of the auditor's role. However, simply adding additional boilerplate language to the audit report would not be helpful. As the PCAOB considers substantial changes to the current reporting model, we would expect that PCAOB would require (through interpretative guidance and/or**

**inspections activities, as well as what is outlined in Appendix 5) descriptions relating to responsibility that are specifically tailored to a company's financial statements, other information and disclosures.**

7. Should the Board require a specific order for the presentation of the basic elements required in the auditor's report? Why or why not?

**We believe auditors should have the flexibility to present the audit report in a manner they believe most effectively conveys their views on a company's financial statements and disclosures. However, we also believe the auditor should outline when certain Critical Audit Matters (CAMs), or in their assessment and planning did not find any critical audit issues that need to be explained in the audit report.**

8. What other changes to the basic elements should the Board consider adding to the auditor's report to communicate the nature of an audit, the auditor's responsibilities, the results of the audit, or information about the auditor?

**There is merit to include CAMs for all periods presented in the financial statements and providing updates on CAMs from the prior period, and the current effect on the reporting period. The CAMs from prior periods could be referenced in an appendix.**

9. What are the potential costs or other considerations related to the proposed basic elements of the auditor's report? Are cost considerations the same for audits of all types of companies? If not, explain how they might differ.

**There will be those who argue that the cost of compliance outweigh the benefits. This is a convenient argument to make because costs can be predicted by financial models whereas the benefits to investors in the form of potential loss mitigation is impossible to predict. However, we would ask you and others to consider the benefits of a more meaningful audit reporting model with a view toward the past.**

**During the most recent financial crisis, CalPERS alone lost over \$70 billion in assets.**

**Had there been greater transparency in the risks hidden in our financial system, perhaps different decisions would have been made with regard to asset allocation or corporate engagement. Perhaps this would have encouraged different decisions by companies. For example, given additional information about risks in the system, companies may have chosen not to invest in mortgage backed securities or credit default swaps. We will never know how behavior would have changed with stronger financial regulations. Moreover, we would be remiss if we did not emphasize that the audit fees and other compliance costs are ultimately paid by shareowners such as CalPERS. We would gladly support additional reasonable fees in exchange for greater assurance on a company's financial reporting.**

*Question related to Section V of Appendix 5*

10. Would the auditor's communication of Critical Audit Matters be relevant and useful to investors and other financial statement users? If not, what other alternatives should the Board consider?

**Yes, we believe the auditor's communication of Critical Audit Matters (CAMs) would be useful to investors and other financial statement users. We support the concept of enhanced auditor reporting or an auditor's discussion and analysis as outlined in our previous letter in 2011 as an acceptable means of communicating additional information regarding the audit findings and the audit process provided it was subject to professional accountability for quality. Our principal concern was that the information should be reported by the auditor in a way that it is not construed to be reported by management.**

**We believe communicating the Critical Audit Matters is an acceptable means of communicating additional information about the audit. And, we support PCAOB's proposed definition of Critical Audit Matters – matters that the auditor determines to be 1) the most difficult, subjective or complex audit judgments; 2) posed the most difficulty in obtaining sufficient appropriate evidence; or 3) posed the most difficulty in forming the opinion on the financial statements has the potential to inform the users of the areas of high audit risk.**

**CalPERS Global Principle 4.6 discusses our views on enhanced reporting to investors. It states:**

**Auditors should provide a reasonable and balanced assurance on financial reporting matters to investors in narrative reports such as an Auditor's Discussion and Analysis (AD&A) or a Letter to the Shareowners. Enhanced reporting should include:**

- a. Business, operational and risks believed to exist and considered;**
- b. Assumptions used in judgments that materially affect the financial statements, and whether those assumptions are at the low or high end of the range of possible outcomes;**
- c. Appropriateness of the accounting policies adopted by the company;**
- d. Changes to accounting policies that have a significant impact on the financial statements;**
- e. Methods and judgments made in valuing assets and liabilities;**
- f. Unusual transactions;**
- g. Accounting applications and practices that are uncommon to the industry;**
- h. Identification of any matters in the Annual Report that the auditors believe are incorrect or inconsistent, with the information contained in the financial statements or obtained in the course of their audit;**

- i. **Audit issues and their resolution which the audit partner documents in a final audit memo to the Audit Committee;**
- j. **Quality and effectiveness of the governance structure and risk management; and**
- k. **Completeness and reasonableness of the Audit Committee report.**

11. What benefits or unintended consequences would be associated with the auditor's communication of Critical Audit Matters?

**We have discussed the benefits of enhanced reporting above and we believe unintended consequences can be avoided by strong oversight by the PCAOB through inspection and enforcement.**

**We support the opinion proffered by others that insights on Critical Audit Matters could be relevant to analyzing and pricing risk. Greater transparency on Critical Audit Matters could help increase competition amongst firms. Investors could gain additional information that could enhance their ability to engage with corporate boards and/or management. And, additional insights on how a firm has addressed Critical Audit Matters could bear on investors' decisions on ratifying the auditor.**

12. Is the definition of a critical audit matter sufficient for purposes of achieving the objectives of providing relevant and useful information to investors and other financial statement users in the auditor's report? Is the definition of a critical audit matter sufficiently clear for determining what would be a critical audit matter? Is the use of the word "most" understood as it relates to the definition of Critical Audit Matters?

**As mentioned above, we believe the definition could be expanded to include those items identified in CalPERS Global Principle 4.6.**

13. Could the additional time incurred regarding Critical Audit Matters have an effect on the quality of the audit of the financial statements? What kind of an effect on quality of the audit can it have?

**We do not believe significant additional time should be incurred by the auditor to identify and/or report Critical Audit Matters. This is information that the auditor routinely identifies and should be routinely reporting to audit committees.**

14. Are the proposed requirements regarding the auditor's determination and communication of Critical Audit Matters sufficiently clear in the proposed standard? Why or why not? If not, how should the proposed requirements be revised?

**We believe the objective of the proposal is quite clear, while providing auditors a good degree of flexibility on implementing this new reporting model. We trust the PCAOB will work to provide auditors additional guidance (through staff interpretations or inspection findings) as needed.**

15. Would including the audit procedures performed, including resolution of the critical audit matter, in the communication of Critical Audit Matters in the auditor's report be informative and useful? Why or why not?

**We believe procedures performed should not be included in the audit report as they could distract from the primary messages in the opinion. However, we would support the inclusion of a supplemental information document that provided such information.**

16. Are the factors helpful in assisting the auditor in determining which matters in the audit would be Critical Audit Matters? Why or why not?

**We believe with deeper insights provided by the auditor through CAMs, we would expect the auditor to share:**

- **Where are the auditor's main concerns?**
- **Where does the auditor plan to spend it majority of time?**
- **What are the highest risks to the company?**
- **What keeps the auditor awake at night in concluding the audit opinion?**
- **What involved the most difficult, subjective or complex auditor judgments?**
- **What posed the most difficulty to the auditor in obtaining sufficient appropriate evidence?**
- **What posed the most difficulty to the auditor in forming the opinion on the financial statements?**

17. Are there other factors that the Board should consider adding to assist the auditor in determining which matters in the audit would be Critical Audit Matters? Why or why not?

**See answers in number 16.**

18. Is the proposed requirement regarding the auditor's documentation of Critical Audit Matters sufficiently clear?

**We trust the PCAOB will work to provide auditors additional guidance (through staff interpretations or inspection findings) as needed.**

19. Does the proposed documentation requirement for non-reported audit matters that would appear to meet the definition of a critical audit matter achieve the Board's intent of encouraging auditors to consider in a thoughtful and careful manner whether audit matters are Critical Audit Matters? If not, what changes should the Board make to the proposed documentation requirement to achieve the Board's intent?

**Yes, we believe the proposed documentation provides how auditors should consider in a thoughtful and careful manner whether audit matters are Critical Audit Matters and how to utilize and disclose such in completing their audit.**

20. Is the proposed documentation requirement sufficient or is a broader documentation requirement needed?

**From our perspective, the determination of CAMs, along with an explanation by the auditor what work was accomplished in formulating the audit opinion is necessary by the auditor. Also, the auditor may determine CAMs may provide the need to modify the audit plan and to obtain additional substantive audit evidence.**

21. What are the additional costs, including indirect costs, or other considerations related to the auditor's determination, communication, and documentation of Critical Audit Matters that the Board should take into account? Are these costs or other considerations the same for all types of audits?

**As noted above, we do not believe there should be significant additional costs for communicating Critical Audit Matters. This is work the auditor is already completing to substantiate and determine its audit opinion.**

22. What are the additional costs, including indirect costs, or other considerations for companies, including their audit committees, related to Critical Audit Matters that the Board should take into account? Are these costs or other considerations the same for audits of both large and small companies?

**As noted above, we do not believe there should be significant additional costs for communicating Critical Audit Matters.**

23. How will audit fees be affected by the requirement to determine, communicate, and document Critical Audit Matters under the proposed auditor reporting standard?

**We would expect auditors to continue determining and documenting critical audit procedures as required by PCAOB standards and we do not believe there should be significant additional costs for communicating these matters to investors.**

24. Are there specific circumstances in which the auditor should be required to communicate Critical Audit Matters for each period presented, such as in an initial public offering or in a situation involving the issuance of an auditor's report on a prior period financial statement because the previously issued auditor's report could no longer be relied upon? If so, under what circumstances?

**We believe current securities laws and regulations sufficiently address such issues but also believe there may be value in expressing how CAMs from prior periods were mitigated or whether because of the type of industry that previous CAMs would always be critical in determining the work to be performed as well as substantiating evidence of the audit opinion.**

25. Do the illustrative examples in the Exhibit to this Appendix provide useful and relevant information of Critical Audit Matters and at an appropriate level of detail? Why or why not?

**We support the use of illustrative examples and reiterate our request that Critical Audit Matters include those items in CalPERS Global Principle 4.6.**

26. What challenges might be associated with the comparability of audit reports containing Critical Audit Matters? Are these challenges the same for audits of all types of companies? If not, please explain how they might differ.

**We believe the challenges associated with the comparability of audit reports containing Critical Audit Matters will be limited. If fact, we agree with other commenters that if the information contained in an auditor's reports is always consistent, the potential benefits to investors would be diminished. We believe the new reporting model is an opportunity for firms to distinguish themselves through thoughtful, creative discussions of Critical Audit Matters.**

27. What benefits or unintended consequences would be associated with requiring auditors to communicate Critical Audit Matters that could result in disclosing information that otherwise would not have required disclosure under existing auditor and financial reporting standards, such as the examples in this Appendix, possible illegal acts, or resolved disagreements with management? Are there other examples of such matters? If there are unintended consequences, what changes could the Board make to overcome them?

**Given the greater likelihood of exposure, we expect that management will be less likely to commit such acts in the first place. If they do, management will be more likely to explain rather than hide the issues. As such, investors will be better off. Under the current system, the described acts would not become known o the investors. We do not understand why that is a good thing. Greater transparency is a great thing in the long run.**

**We support the opinion proffered by others that insights on Critical Audit Matters could be relevant to analyzing and pricing risk. Greater transparency on Critical Audit Matters could help increase competition amongst firms. Investors could gain additional information that could enhance their ability to engage with corporate boards and/or management. And, additional insights on how a firm has addressed Critical Audit Matters could bear on investors' decisions on ratifying the auditor.**

28. What effect, if any, would the auditor's communication of Critical Audit Matters under the proposed auditor reporting standard have on an auditor's potential liability in private litigation? Would this communication lead to an unwarranted increase in private liability? Are there other aspects of the proposed auditor reporting standard that could affect an auditor's potential liability in private litigation? Are there steps the Board could or should take to mitigate the likelihood of increasing an auditor's potential liability in private litigation?

**We have no views on this item.**

*Questions Related to Section VI of Appendix 5*

29. Is it appropriate for the Board to include the description of the circumstances that would require explanatory language (or an explanatory paragraph) with references to other PCAOB standards in the proposed auditor reporting standard?

**We would support the inclusion of a non-exclusive description or list of circumstances that would require an explanatory paragraph. We trust the PCAOB will work to provide auditors additional guidance (through staff interpretations or inspection findings) as needed.**

30. Is retaining the auditor's ability to emphasize a matter in the financial statements valuable? Why or why not?

**We believe this option should be retained. It will provide auditors' additional flexibility to provide investors with information they believed is important.**

31. Should certain matters be required to be emphasized in the auditor's report rather than left to the auditor's discretion? If so, which matters? If not, why not?

**Yes. For example, an auditor should be required to include an emphasis paragraph when there is a material uncertainty about a company's ability to continue as a going concern.**

32. Should additional examples of matters be added to the list of possible matters that might be emphasized in the auditor's report? If so, what matters and why?

**We recommend the PCAOB conduct research based on its inspection findings to identify items for which an emphasis paragraph is required.**

*Questions Related to Section VII of Appendix 5*

33. Are the proposed amendments to PCAOB standards, as related to the proposed auditor reporting standard, appropriate? If not, why not? Are there additional amendments to PCAOB standards related to the proposed auditor reporting standard that the Board should consider?

**Yes we believe the proposed amendments are appropriate.**

34. What are the potential costs or other considerations related to the proposed amendments? Are these cost considerations the same for all types of audits? If not, explain how they might differ.

**Again, we do not believe there will be considerable costs.**

*Questions Related to Section VIII of Appendix 5*

35. Are the proposed auditor reporting standard and amendments appropriate for audits of brokers and dealers? If yes, are there any considerations that the Board should take into account with respect to audits of brokers and dealers?

**Yes, we believe this approach is applicable to the audits of brokers and dealers.**

36. Is the requirement of the proposed auditor reporting standard to communicate in the auditor's report Critical Audit Matters appropriate for audits of brokers and dealers? If not, why not?

**Yes we believe the proposed auditor reporting standard is appropriate for audits of brokers and dealers.**

37. Since a broker or dealer may elect to file with the SEC a balance sheet and related notes bound separately from the annual audited financial statements, should the Board address situations in which the auditor may issue two different reports for the same audit of a broker or dealer? Why or why not?

**We support using the same auditor reporting standard and amendments for audits of benefit plans and are not aware of other considerations that the Board should take into account with respect to audits of benefit plans.**

38. Are the proposed auditor reporting standard and amendments appropriate for audits of investment companies? If yes, are there any considerations that the Board should take into account with respect to auditors' reports on affiliated investment companies, as well as companies that are part of master-feeder or fund of funds structures?

**From our perspective, the auditor reporting standard and amendments are appropriate for audits of investment companies.**

39. Are the proposed auditor reporting standard and amendments appropriate for audits of benefit plans? If yes, are there any considerations that the Board should take into account with respect to audits of benefit plans?

**We support using the same auditor reporting standard and amendments for audits of benefit plans and are not aware of other considerations that the Board should take into account with respect to audits of benefit plans.**

40. Should audits of (emerging growth) companies be exempted from being required to communicate Critical Audit Matters in the auditor's report? Why or why not?

**We believe all issuers, including emerging growth companies, should be subject to the same financial regulations.**

*Questions Related to Section IX of Appendix 5*

41. Is the Board's effective date appropriate for the proposed auditor reporting standard? Why or why not?

**We would defer to auditors regarding the time that might be needed to develop guides and perform training on the new rules, but based upon our understanding of the implementation schedule of PCAOB's AS2/5, we believe 12-18 months lead time should be sufficient.**

42. Should the Board consider a delayed compliance date for the proposed auditor reporting standard and amendments or delayed compliance date for certain parts of the proposed auditor reporting standard and amendments for audits of smaller companies? If so, what criteria should the Board use to classify companies, such as non-accelerated filer status? Are there other criteria that the Board should consider for a delayed compliance date?

**We believe all issuers, including emerging growth companies, should be subject to the same financial regulations.**

Proposed Other Information Standard

**As outlined in our cover letter, we generally believe the evaluation of the other information would improve the quality of information available to investors and could significantly contribute to greater confidence in the other information.**

**We believe investors will further benefit from management corrections and other improvement that may be derived from the practice of evaluating other information. By avoiding potentially inconsistent or competing information between the auditor and management, investors would benefit from the clarity and credibility of the audited financial statements.**

**Accordingly, we agree with the assertion in the release that:**

**As a result of the auditor's evaluation of other information, and communication of any potential material inconsistencies or material misstatements of fact to the company's management, the proposed other information standard could promote consistency between the other information and the audited financial statements, which in turn could increase the amount and quality of information available to investors and other financial statement users.**

Emerging Growth Companies

**We believe all issuers, including emerging growth companies, should be subject to the same financial regulations.**