

October 5, 2011

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

Submitted via e-mail to [comments@pcaobus.org](mailto:comments@pcaobus.org)

Re: 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 Office of the Secretary:

On behalf of the Accounting & Auditing Advisory Committee of the Virginia Society of CPAs (VSCPA), we have reviewed the *Concept Release on Possible Revisions to PCAOB Standards Related to Reports on Audited Financial Statements and Related Amendments to PCAOB Standards* (the Concept Release). The VSCPA is Virginia's leading professional association dedicated to enhancing the success of all CPAs and their profession by communicating information and vision, promoting professionalism, and advocating members' interests. The VSCPA membership consists of more than 10,000 individuals who actively work in public accounting, private industry, government agencies and educational institutions. We appreciate the opportunity to respond to this Concept Release.

While we believe that changes in auditor reporting may be beneficial as a means to narrow the expectations gap and to improve the communicative value of auditor reporting, we believe that some of the changes discussed in the Concept Release downplay the role of management and the content for which management should have the sole responsibility to report. We believe that management should be required to consider the results of the audit and the content of the two-way dialogue between the auditor and those charged with governance in preparing and/or emphasizing financial statement disclosures and management's discussion and analysis.

#### Recommended changes to the Report on Audited Financial Statements

Based on the PCAOB's research efforts, we agree that changes to the auditor's report could enhance the users' understanding of the nature of the procedures performed and results of the audit. Therefore, we recommend the PCAOB consider the following changes to the report on audited financial statements:

- Reconsider the current positioning of information within the standard auditor's report to ensure that it places appropriate emphasis on key information.
- Provide additional information about the meaning of standard auditing terminology such as reasonable assurance and materiality.
- Include clarifying information that the auditor's responsibility to detect fraud is limited by materiality considerations under the auditing standards.
- Provide additional **general** information about the audit process such as the risk assessment process, consideration of internal controls over financial reporting and the level of assurance provided by the auditor but not at the company-specific level of detail included in the Concept Release.
- Require a statement about the auditor's responsibilities concerning financial statement disclosures and other information in documents containing audited financial statements.

We do not believe it is appropriate to provide information to the extent included in the auditor's discussion and analysis illustration provided in the Concept Release. We believe the level of detail suggested in the Concept Release will add confusion to the reporting model rather than provide clarification to the financial statement users. We believe users of the financial statements will lack the necessary context to understand and utilize any description by the auditor regarding detailed audit procedures and results. Further, we believe confidentiality issues are a concern if information is to be provided at the level of detail shown in the proposed illustration.

#### Use of Emphasis Paragraphs

The Concept Release suggests mandating the use of emphasis paragraphs in all audit reports and further expanding 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. We believe that the PCAOB should consider developing additional guidance to auditors mandating further use of emphasis of matter paragraphs that reference management's footnote disclosures. Also, we have concerns about the proposal to provide descriptions of the related audit procedures within the auditor's report due to the lack of context and relative impossibility of summarizing the complexity of the audit processes into a short paragraph that would be meaningful to the users of the financial statements.

Again, the VSCPA appreciates the opportunity to respond to this Concept Release. Please direct any questions or concerns to VSCPA Government Affairs Director Emily Walker at [ewalker@vscpa.com](mailto:ewalker@vscpa.com) or 804-612-9428.

Sincerely,

Jamie C. Wohlert, CPA  
2011–2012 Chair  
VSCPA Accounting & Auditing Advisory Committee

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