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Via e-mail: comments@pcaobus.org

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

Re: **PCAOB Release No. 2011-005 Rulemaking Docket Matter No. 036,**  
***Proposed Auditing Standard, Auditing Supplemental Information Accompanying***  
***Audited Financial Statements and Related Amendments to PCAOB Standards***

Dear Members and Staff of the Public Company Accounting Oversight Board:

BDO USA, LLP welcomes this opportunity to comment on the Public Company Accounting and Oversight Board's (the "PCAOB" or the "Board") Proposed Auditing Standard, *Auditing Supplemental Information Accompanying Audited Financial Statements*, (the "Proposed Standard"). We are supportive of the Board's efforts to update and enhance the guidance in circumstances when the auditor of the financial statements is engaged to also report on whether supplemental information accompanying the financial statements is fairly stated, in all material respects, in relation to the financial statements as a whole. However, we have some concerns about the clarity of the nature of the engagement and the scope of work for an "in relation to" opinion that is included in the Proposed Standard, that is beyond what is currently considered appropriate for this type of opinion.

Our observations are set out within the following topical areas:

- Applicability of the Proposed Standard
- "In relation to" the Financial Statements as a Whole
- Required Audit Procedures Applicable to Supplemental Information
- Reporting

#### **Applicability of the Proposed Standard**

Overall, we agree with the definition of supplementary information as set out in Appendix A of the Proposed Standard. However, we do not believe the Proposed Standard appropriately addresses the situation where an employee stock purchase, savings or similar plan, which is subject to the Department of Labor's Rules & Regulations for Reporting and Disclosure under ERISA and SEC Form 11-K filing requirements, is required to present prohibited transactions in a supplemental schedule of "Nonexempt Transactions."

Specifically, the Proposed Standard does not address the auditor's responsibility for supplemental information required to accompany the financial statements that arise as a result of procedures performed during the audit (e.g., nonexempt transactions detected as a



result of applying audit procedures to the financial statements). We recommend specifically addressing the auditor's responsibility and management's representations with respect to such additional supplemental information arising after the auditor has been engaged to perform the financial statement audit. We also recommend that the standard acknowledges instances where regulatory requirements may prescribe a materiality level for such supplemental information that is different from that used in planning and performing the audit of the financial statements as it relates to supplementary information.

#### **"In relation to" the Financial Statements as a Whole**

We agree with the Board's decision to retain the "in relation to" concept in the Proposed Standard and believe the level of assurance provided by this type of engagement is appropriate to the circumstance, in that it meets the needs of users in a cost/effective manner. We are concerned, however, that certain wording of the Proposed Standard implies an extension of the scope of the auditor's responsibilities beyond those responsibilities that we believe are actually required to provide such an "in relation to" opinion. For example, in a number of paragraphs within the Proposed Standard, reference is made to the "audit of supplemental information" (see paragraphs 1, 2 and 4) and we do not believe such a reference is appropriate. The use of the word "audit" as it relates to supplementary information, coupled with the addition of certain procedures described below, seems to imply there is a separate audit of the supplemental information, which is inconsistent with an "in relation to" opinion. As such, we suggest revising this language to better convey the objective of an "in relation to" opinion."

#### **Required Audit Procedures Applicable to Supplemental Information**

We support the addition of the guidance within the Proposed Standard that clarifies the procedures the auditor should perform to obtain appropriate audit evidence that is sufficient to opine on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. However, we believe that certain of the procedures are inconsistent with the objective of an "in relation to" opinion." For example paragraph 3 of the Proposed Standard implies that the auditor would separately consider and document audit planning considerations (e.g. the nature, timing and extent of audit procedures and the risk of material misstatement) relative to the supplemental information. We do not believe that separate planning needs to take place to support the auditor's reporting on supplemental information under the "in relation to" opinion and we recommend revising the guidance to clarify that such separate planning is not necessary.

Further, paragraph 4(e) of the Proposed Standard requires the auditor to "perform procedures to test the completeness and accuracy of supplemental information to the extent that it was not tested as part of the audit of the financial statements." This requirement expands the scope of the auditor's responsibility from that described in the extant Interim Standard, AU 551, to information that is not derived from the financial statements. We do not believe such an expansion is appropriate and should not be included within this Proposed Standard.



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### Reporting

The Proposed Standard requires the auditor to provide two separate opinions on the supplemental information. The first opinion is the “in relation to” opinion that is consistent with Interim Standard AU 551, and the second is an opinion on whether the form and content of the supplemental information complied, in all material respects, with the regulatory requirements or criteria. This second opinion is not part of extant AU 551 and we do not believe it is appropriately included within this Proposed Standard. If the Board determines that auditor reporting on whether supplemental information complies with regulatory requirements is necessary, we suggest that the Board consider a separate stand-alone standard to address such reporting.

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We appreciate your consideration of our comments and suggestions, and would be pleased to discuss these with you at your convenience. Please direct any questions to Susan Lister, National Director of Auditing at 212-885-8375 (slister@bdo.com).

Very truly yours,

/s/ BDO USA, LLP

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