

May 28, 2013

Phoebe W. Brown
Office of the Secretary
PCAOB
1666 K Street, N.W.
Washington, D.C. 20006-2803

Submitted via e-mail to comments@pcaobus.org

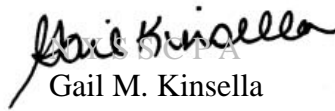
**Re: Comments on Proposed Framework for Reorganization of PCAOB Auditing Standards and Related Amendments to PCAOB Auditing Standards and Rules
PCAOB Release No. 2013-002, March 26, 2013, PCAOB Rulemaking Docket Matter No. 40**

Dear Madam Secretary:

The New York State Society of Certified Public Accountants (NYSSCPA), representing more than 29,000 CPAs in public practice, industry, government and education, welcomes the opportunity to provide comments on the above captioned release.

The NYSSCPA's Auditing Standards Committee deliberated the release, and prepared the attached comments. If you would like additional discussion with us, please contact Julian Jacoby, Chair of the Auditing Standards Committee at (212) 755-4482, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,


Gail M. Kinsella
President

Attachment

**NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS**

COMMENTS ON

**PROPOSED FRAMEWORK FOR REORGANIZATION OF PCAOB AUDITING
STANDARDS AND RELATED AMENDMENTS TO PCAOB AUDITING STANDARDS
AND RULES**

**PCAOB RELEASE NO. 2013-002, MARCH 26, 2013,
PCAOB RULEMAKING DOCKET MATTER NO. 40**

May 28, 2013

Principal Drafters

**Fred R. Goldstein
Elliot L. Hendler
Julian E. Jacoby
Howard B. Levy
Tamara E. Straus**

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NYSSCPA Staff

Ernest J. Markezin
William R. Lalli

New York State Society of Certified Public Accountants

Comments on Proposed Framework for Reorganization of PCAOB Auditing Standards and Related Amendments to PCAOB Auditing Standards and Rules

The New York State Society of Certified Public Accountants (NYSSCPA) is pleased to submit the following comments in response to the above-captioned release issued by the Public Company Accounting Oversight Board (PCAOB or the Board).

We believe that adoption of these proposals would likely have positive effects from both an organizational standpoint and on the Board's additional objective of replacing the "interim" standards. Our responses to the questions posed in the proposals are contained in Appendix 1 to this letter. However, we have the following suggestions to enhance the utility of the final version further, in the order of their significance:

- Because of the rapidly increasing diversity among the standards issued by various authorities, auditors find it increasingly difficult to assure compliance with all aspects of the various standards as they complete an audit and move to the next, which might be in and out of the PCAOB's domain. For this reason, we believe the most helpful approach to reorganization of the PCAOB's standards would be to use substantially the same structure of the so-called "Clarified" standards of Auditing Standards Board (ASB) of American Institute of CPAs (AICPA) and those of the International Standards on Auditing. We believe that would facilitate best the focus by auditors on differences among the various standards and mitigate the learning curve for those whom, from time-to-time, need to work under an alternate set of standards.
- If the foregoing recommendation is not accepted, we believe that the objective of placing the standards in a more logical sequence, based primarily on the normal chronology of the audit process, with general concepts preceding those sections, would be the best alternative and be of substantial value to users (*i.e.*, auditors), although some topics will not be easily classified. With that objective in mind, we are suggesting a reordering of the topics listed in Appendix 1 of the proposals, and we are submitting our ideas in an attachment (Appendix 2) to this letter. We are recommending to expand the audit planning section significantly to include risk assessment and certain other standards, and to move others around within this and in other sections. We are also recommending a new section on audit completion to include communication and reporting standards which would follow the section on substantive procedures.
- We have seen PCAOB acknowledgments of the standards of other standard-setters in the Board's proposals. A good example of this is Appendix 11 of the exposure draft that preceded the comprehensive risk standards (AS 8-14) that delineates differences in the standards. It would be a positive step should such a list of differences were to be retained as an appendix to the final standards or were to be posted centrally such as on several Web sites. Moreover, merely listing Web sites such as in these proposals does not provide sufficient information as to content to be useful to professionals who may conduct audits in

accordance with more than one set of standards. Accordingly, we believe the Auditing Profession would be better served and enhanced quality audits would result should there be greater integration among different standards. For example, if the commonalities and differences among the different standards were articulated and emphasized so the differences are not inadvertently overlooked, audit quality would be improved.

- Auditing standards have become increasingly complex in addition to becoming more diverse as accounting complexity changes. This is an endemic problem. In practice, auditors use databases containing subject material that is subject -area driven to allow them to understand the concepts better. This is especially true in industry- based matters and in employing sophisticated auditing techniques such as computer audit techniques and statistical sampling. The complexities of these matters are not adequately dealt with in the PCAOB standards. Accordingly, auditors commonly look to other sources for detailed guidance which is not encouraged in the language of the standards. For example, U.S. “generally accepted auditing standards” that are applicable to audits of financial statements of non-issuers and were promulgated after April 16, 2003, by the ASB, its auditing interpretations and other non-authoritative literature, such as audit and accounting guides, may provide useful supplementary guidance to improve audit quality. (Specifically, we note the absence of a “state-of-the-art” standard on ”group audits” in the PCAOB standards such as recently adopted by the ASB or on its work agenda.) However, because these alternate sources of guidance are not embraced by the PCAOB standards as requirements for the audits of issuers’ financial statements, auditors are not encouraged to seek such supplemental guidance in determining the scope of their audits. Taking appropriate care not to imply that these other materials have the same weight as the standards in PCAOB-compliant audits, we believe that the standards should encourage auditors to seek additional guidance from such other widely available sources.
- The inclusion in a preface to the planning section (to be prepared in connection with the restructuring) of some *caveats* about the iterative nature of the audit process would be helpful to auditors, because to communicate that, as the audit progresses, the nature timing and extent of work may change along with the related documentation needed to effectuate these changes. In addition, some language should be included in the index informing users that the PCAOB has interpretations and guidance that are not contained in the standards but that are important to reference to assure that auditing objectives are effectively met such as in example, PCAOB Rule 3526, *Communication with Audit Committees Concerning Independence*.
- We believe it would be critical to utilize computer technology in connection with the restructuring through hyper-linking subject areas with other standards materials including guidance and other related material. These links also could be included within print media publications as references as well, and perhaps obviating the need to include detailed subject indexes in these publications. Also, elimination of superseded material is always a plus, and this should be done at frequent regular intervals or on an ongoing basis or as needed.

- Lastly, we recommend that another preliminary pass be made to edit revisions of the portions of the interim standards that are being carried forward when the restructured standards are published without unduly delaying its issuance. More substantive changes can be made in the future as these matters are included in the working agenda.

Responses to the Questions Contained in Part VII of the Proposal

We have the following responses to the questions provided in the Proposed Framework:

Question 1: Is the proposed framework for reorganizing PCAOB auditing standards appropriate and an improvement over the existing structure of the PCAOB auditing standards? Are there ways to improve the proposed reorganization framework?

Response: Subject to the foregoing general observations and suggestions, and our response to Question 2, we support the framework proposed by the PCAOB for reorganizing its auditing standards and believe that the combining of the auditing standards issued by the PCAOB and the auditing standards of the Auditing Standards Board (ASB) as of April 16, 2003, adopted as interim auditing standards and which have not been superseded, is highly desirable.

There undoubtedly are other framework structures that could be developed, but the one being proposed would accomplish the goal of clearly presenting all PCAOB auditing standards.

Question 2: Would the proposed reorganization described in this release help users navigate the standards more easily, help avoid potential confusion between the Board's standards and the standards of the ASB, and provide a structure for updating PCAOB standards in the future? Are there other potential benefits the Board should be aware of in considering its proposed reorganization?

Response: Subject to the foregoing general observations and suggestions, we do not believe that the proposed reorganization would make navigating the standards significantly easier or avoid any confusion that someone might have between PCAOB and ASB auditing standards. The proposed framework would, of course, provide the structure for future PCAOB changes to its auditing standards.

Question 3: Are the categories and subcategories of auditing standards in the proposed reorganization framework appropriate and an improvement over the existing organizational structure of PCAOB auditing standards?

Response: We believe that the categories and subcategories of auditing standards in the proposed reorganization framework are appropriate and are an improvement over the existing organizational structure of PCAOB standards consisting of PCAOB- originated standards and the interim standards.

Question 4: Is it appropriate to rescind the auditing standards and related auditing interpretations discussed in Section III.A of this release as part of the proposed reorganization? Are any of those standards or auditing interpretations still necessary to fully describe the auditor's responsibilities for audits under PCAOB standards? Are there other standards or auditing interpretations that should be rescinded?

Response: We agree that it is appropriate to rescind the auditing standards and related auditing interpretations discussed in Section III.A of the release. No, there are no other standards or auditing interpretations that should be rescinded.

Question 5: Would the framework for reorganizing PCAOB auditing standards have any consequences that are not addressed in this release? If so, what are those consequences?

Response: Subject to the foregoing general observations and suggestions, we have no consequences to report at this time that would result from adopting the proposed framework that have not been addressed in the release.

Question 6: Are there other costs besides those discussed in this release that the Board should consider? Would initial costs be offset over time, as discussed in this release?

Response: Costs of the proposed changes, in addition to those discussed, would include the cost of continuing education programs needed because of the proposed changes. We do not believe that initial costs would be offset over time by the potential savings discussed in the release.

Question 10: Should the Board limit the scope of the auditing standards reorganization to reordering and renumbering standards in their entirety and related changes as discussed in this release? If not, why not? Are there other related technical changes to the wording or organization of individual standards that should be considered, either as part of the proposed reorganization or a subsequent project, such as eliminating references to generally accepted auditing standards or outdated references to accounting standards?

Response: We believe that, at this time, changes to the PCAOB's auditing standards should be limited to those proposed in this release. However, the PCAOB should consider adding a project to adopt a uniform format for all auditing standards to its standard-setting agenda, which we believe would facilitate an understanding of those standards and improve the quality of audits. In addition, eliminating outdated references and consideration of changes should be ongoing, not necessarily new projects.

Question 11: What factors should the Board consider in determining the effective date of the auditing standards reorganization?

Response: In determining the effective date of the auditing standards reorganization, considerations should include the timing of the issuance of the framework and a careful estimation of what will be necessary for firms to update their firm methodologies, reference materials and practice aids, and provide training to their staff.

Suggested Revisions to Appendix 1 of Proposed Framework for Reorganization of PCAOB Auditing Standards

Please Note: Where changes have been proposed, the original Appendix number has been retained.

PCAOB Appendix 1 Section #	Our Proposed Revised Section #	Standard (Some titles revisions are being proposed) (Note-PCAOB interpretations may not be included in Standards)
General Standards		
1000	(Same #)	<i>General Principles and Responsibilities</i> (sub-heading)
1001		Responsibilities and Functions of the Independent Auditor
1010		Training and Proficiency of the Independent Auditor
1011		Independence
1012		Due Professional Care in the Performance of Work
1103	1013	Relationship of Auditing Standards to Quality Control Standards
Planning		
2101		Audit Planning
1101	2102	Audit Risk
1102	2103	Audit Evidence
2603	2104	Communications Between Predecessor and Successor Auditors
2102	2105	Consideration of Materiality in Planning and Performing an Audit
2103	2106	Identifying and Assessing Risks of Material Misstatement
1201	2107	Supervision of the Audit Engagement
2401	2108	Consideration of Fraud
2402	2109	Illegal Acts by Clients
2403	2110	Related Parties
1203	2111	Using the Work of a Specialist
1202	2112	Part of Audit Performed by Other Independent Auditors
Audit Performance		
2201		The Auditor's Responses to the Risks of Material Misstatement
2202		Substantive Analytical Procedures
2203		The Confirmation Process
2204		Audit Sampling
2501	2205	Auditing Accounting Estimates
2502	2206	Auditing Fair Value Measurements and Disclosures
2503	2207	Auditing Derivative Instruments, Hedging Activities, and Investments in Securities
2505	2208	Auditing Inventories
2504	2209	Inquiry of a Client's Lawyer Concerning Litigation, Claims, and Assessments
2602	2210	Consideration of the Internal Audit Function
2601	2210	Service Organizations
2300		<i>Auditing Internal Control Over Financial Reporting</i> (sub-heading)

2301		An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements
Audit Completion/Communication/Reporting		
3100	3000	<i>Reporting on Audits of Financial Statements (sub -heading)</i>
2801	3001	Subsequent Events
2802	3002	Management Representations
2803	3003	Evaluating Audit Results
2804	3004	The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles
2805	3005	Evaluating Consistency of Financial Statements
3101		Reports on Audited Financial Statements
3105	3103	References in Auditors' Reports to the Standards of the Public Company Accounting Oversight Board
2404	3102	The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern
2302	3104	Reporting on Whether a Previously Reported Material Weakness Continues to Exist
2701	3105	Reporting on Information Accompanying the Basic Financial Statements in Auditor-Submitted Documents
2702	3106	Unaudited Supplementary Information Included in Audited Financial Statements
2703	3107	Other Information in Documents Containing Audited Financial Statements
3110	3108	Dating of the Independent Auditor's Report
1210	3150	Audit Documentation (this could be placed in Performance category, alternatively)
1220	3175	Engagement Quality Review
2901	3201	Consideration of Omitted Procedures After the Report Date
2902	3202	Subsequent Discovery of Facts Existing at the Date of the Auditor's Report
1302	3203	Communications about Control Deficiencies in an Audit of Financial Statements
1301	3204	Other Communications with Audit Committees
3301		Association With Financial Statements
3311		Special Reports on Regulated Companies
3310	3312	Other Special Reports
3312	3313	Reporting on Condensed Financial Statements and Selected Financial Data
6102	3314	Reports on the Application of Accounting Principles
6103	3315	Compliance Auditing Considerations in Audits of Recipients of Governmental Financial Assistance
4101		Responsibilities Regarding Filings under Federal Securities Statutes
6101	4102	Letters for Underwriters and Certain Other Requesting Parties
4102	4103	Reviews of Interim Financial Information
5000		Reserved