

June 21, 2022

Ms. Sherry Hazel
AICPA
1345 Avenue of the Americas, 27th Floor
New York, NY 10105

Re: ASB Proposed Statement on Auditing Standards: Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors and Audit of Referred-To Auditors)

Dear Ms. Hazel:

One of the objectives that the Council of the American Institute of Certified Public Accountants (AICPA) established for the PCPS Executive Committee is to speak on behalf of local and regional firms and represent those firms' interests on professional issues in keeping with the public interest, primarily through the Technical Issues Committee (TIC). This communication is in accordance with that objective. Our comments in relation to this exposure draft follow the specific requests for comments outlined within the exposure draft.

TIC appreciates the ongoing efforts of the Auditing Standards Board (ASB or the Board) to converge with international standard setters. TIC is supportive of this effort and is pleased to present responses to the proposed questions below.

1. With respect to the linkages to other AU-C sections

a. does the proposed SAS have appropriate linkages to other AU-C sections and to the proposed SQMSs?

Yes, a considerable amount of direct linkage within the standard and application material was noted by TIC.

b. does the proposed SAS sufficiently address the special considerations in a group audit as they relate to applying the requirements and application material in other relevant AU-C sections, including the proposed QM SAS? Are there other special considerations for a group audit that you believe have not been addressed in the proposed SAS?

Yes, TIC believes applicable elements as well as details about who is in or out of scope given the various scenarios are sufficiently addressed in the proposed SAS. No additional special considerations were noted by TIC.

c. does the proposed SAS result in a group audit that achieves the objectives of the proposed QM SAS?

Yes, TIC believes the objectives of the proposed SAS are achieved.

2. With respect to the structure of the proposed SAS, do you support the placement of sub-sections throughout the proposed SAS that highlight the requirements when component auditors are involved or when reference is made to the audit of a referred-to auditor in the auditor's report on the group financial statements?

Yes, the placement of these sub-sections is supported by TIC.

3. Is the scope and applicability of the proposed SAS clear? In that regard, is the definition of group financial statements, including the linkage to a consolidation process, clear?

Yes, it's TIC's position that the scope and applicability of the proposed SAS is clear as is the definition of group financial statements, including the linkage to a consolidation process.

4. With respect to the scalability of the proposed SAS

a. do you believe the proposed SAS is scalable to groups of different sizes and complexities, recognizing that group financial statements, as defined in the proposed SAS, include the financial information of more than one entity or business unit? If not, what suggestions do you have for improving the scalability of the proposed SAS?

Yes, the proposed SAS is scalable to groups of different sizes and complexities.

b. do you believe that the guidance in exhibit A, "Relevancy of Requirements in Various Group Audit Scenarios," of the proposed SAS is understandable and provides clarity on the relevancy of certain requirements of the proposed SAS in various group audit scenarios? Would the relevancy of certain requirements of the proposed SAS in various group audit scenarios be clear without exhibit A?

Yes, the guidance in exhibit A is understandable and provides clarity on the relevancy of certain requirements of the proposed SAS in various group audit scenarios. TIC supports the retention of exhibit A.

5. Do you support the enhanced requirements and application material on documentation, including the linkage to the requirements of AU-C section 230? *Yes, TIC supports the enhanced requirements and documentation materials.* In particular

a. are there specific matters that you believe should be documented other than those described in paragraph 76 of the proposed SAS?

None of significance were noted by TIC.

b. do you agree with the application material in paragraphs A203–A219 of the proposed SAS relating to the group auditor's audit documentation?

Yes, TIC agrees with this application material.

6. Are the definitions of the terms referred-to auditor, component auditor, and group auditor clear, including as they relate to the definition of the term engagement team in the proposed QM SAS?

Yes, TIC believes these definitions are clear and is supportive of these definitions along with the necessary clarifications they provide as related to the engagement team responsibility.

7. Is the requirement in paragraph 11 clear? Are there additional requirements or application material relating to paragraph 11 that are needed, and if so, what should they be?

Yes, TIC believes this requirement is clear and reasonable as the ultimate responsibility for the engagement lies with the engagement partner.

8. Do you agree with the deletion of this requirement and the related application paragraph? Do you have other suggestions for considering components in interim reviews now that the concept of “significant components” has been eliminated?

Yes, TIC agrees with the deletion of this requirement and the related application paragraph. In a private company environment, it’s not as common to have components subject to interim financial information.

9. Do you agree with the application material in paragraphs A47–A49 of the proposed SAS relating to a noncontrolling interest in an entity that is accounted for by the equity method? Are there additional requirements or application material relating to EMIs that are needed in the proposed SAS, and if so, what should they be?

Yes, TIC agrees with the application material. TIC noted it is consistent with the current approach and relatively simple to apply. No additional requirements were surmised by TIC.

10. Do you support retaining the option that exists in extant AU-C section 600 for the group engagement partner to make reference to the audit of a referred-to auditor (a component auditor per extant AU-C section 600) in the auditor’s report on the group financial statements?

Yes, TIC supports the option to make reference to the audit of a referred-to auditor.

11. Are the specific requirements relating to referred-to auditors clear, appropriate, and easily identifiable within the proposed SAS, including when considering exhibit A?

Yes, TIC believes the requirements are clear, appropriate, and easily identifiable and appreciates they are presented together for ease of application.

12. Is the last sentence of paragraph A41 clear? Is there additional application material that is needed, and if so, what should it be?

While TIC believes the last sentence is clear, there is one identified opportunity to add additional clarity. To avoid a strictly monetary magnitude interpretation, TIC recommends adding a phrase to the final sentence that incorporates the need to consider the qualitative magnitude of risks vs. solely the quantitative magnitude of the portion of the financial statements audited by the referred-to auditors.

13. Does the proposed effective date provide sufficient time for preparers, auditors, and others to adopt the new standard and related conforming amendments, including sufficient time to support effective implementation of the proposed SAS?

Yes, TIC believes there is sufficient time to adopt the new standard and noted its alignment with the QM Standards.

TIC appreciates the opportunity to present these comments on behalf of PCPS Member firms.
We would be pleased to discuss our comments with you at your convenience.

Sincerely,

Bryan Bodnar

Chair, On Behalf of the PCPS Technical Issues Committee