



Agenda Item 1B

NOCLAR — Comments Letters Analysis (Letters 1-24)

This file contains the responses received relating to the Request for Comment. This file is organized by respondent and classified as to whether the response was supportive, supportive with comments, not supportive, or not supportive with comments relating to the NOCLAR ED. Each comment is numbered sequentially.

All comment letters are available at <https://www.aicpa.org/research/exposedrafts/accountingandauditing/proposed-statement-on-auditing-standards-inquiries-of-the-predecessor-auditor-regarding-fraud-and-noncompliance-with-laws-and-regulations.html>

Comment Letter No.	Affiliation
01	KPMG LLP
02	Michigan Office of the Auditor General
03	U.S. Government Accountability Office (GAO)
04	Tennessee Department of Audit
05	National State Auditors Association
06	National Association of State Boards of Accountancy (NASBA)
07	Ernst & Young LLP

NOCLAR – Summary of Comments Received on ED – September 2021
ASB Meeting, September 9, 2021

Comment Letter No.	Affiliation
08	PCPS Technical Issues Committee
09	Virginia Society of CPAs
10	California Society of Certified Public Accountants
11	Deloitte & Touche LLP
12	Crowe LLP
13	Grant Thornton LLP
14	CliftonLarsonAllen LLP
15	Florida Institute of Certified Public Accountants
16	CAMICO Mutual Insurance Company
17	Arkansas Society of Certified Public Accountants
18	Montana Legislative Audit Division
19	BDO USA, LLP
20	Texas Society of Certified Public Accountants
21	Mazars USA LLP
22	PricewaterhouseCoopers LLP
23	Moss Adams LLP
24	Commonwealth of Virginia Auditor of Public Accounts

NOCLAR – Summary of Comments Received on ED – September 2021
ASB Meeting, September 9, 2021

Overall Comments			
Type	Respondent	Coded Text	Task Force Consideration
General Comments	01 - KPMG LLP	We are supportive of the Board’s proposed SAS to <i>require</i> an auditor, after receiving management authorization, to inquire of the predecessor auditor regarding identified or suspected fraud or noncompliance with laws or regulation (NOCLAR). We note that this is currently included in the application guidance of SAS 122, and in practice, many auditors include this as an inquiry of the predecessor auditor as a matter of policy. Additionally, as the Board is not proposing revisions to the auditing standards that would expand an auditor’s responsibilities to report fraud or NOCLAR to other outside parties, and the predecessor auditor can, when unusual circumstances exist, continue to decide not to respond fully to the auditor’s inquiries, we do not believe that the proposed SAS will significantly affect auditors’ policies and practices in this area. However, the proposed SAS will result in a more consistent and informed engagement acceptance process across the profession which is in the public interest.	✓
General Comments	03 - U.S. Government Accountability Office	We support the ASB’s proposal and believe that it is in the public interest to require certain actions that facilitate transfer of knowledge of suspected fraud and NOCLAR from a predecessor auditor to an auditor and will assist in the engagement acceptance process.	✓

NOCLAR – Summary of Comments Received on ED – September 2021
ASB Meeting, September 9, 2021

<p>General Comments</p>	<p>06 - National Association of State Boards of Accountancy</p>	<p>The International Ethics Standards Board for Accountants (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) paragraph R360.22 requires a predecessor auditor to “provide all relevant facts and other information concerning the identified or suspected non-compliance (with laws and regulations) to the proposed accountant. The predecessor accountant shall do so even...where the client fails or refuses to grant the predecessor accountant permission to discuss the client’s affairs with the proposed accountant, unless prohibited by law or regulation.”</p> <p>The Confidential Client Information Rule (ET sec. 1.700.001) of the AICPA Code of Professional Conduct (Code) prohibits the disclosure of NOCLAR without the client’s consent unless the communication meets one of the specific exceptions set forth in the rule. One such exception is compliance with professional standards.</p> <p>AICPA members agree to follow the Code; however, membership in the AICPA is voluntary and lacks the force of law. State Boards have the ultimate legal authority for regulating the CPAs and firms practicing in their states and may set laws and regulations that differ or go beyond the requirements of the Code. NASBA analyzed the laws and regulations of the 55 State Boards and found that 52 State Boards specifically provide an exception to their confidentiality provisions if the CPA follows professional standards.</p> <p>We appreciate the intention of the proposed SAS to start to address the professional responsibilities of a predecessor auditor. However, we believe that, as currently drafted, the proposed SAS does not meaningfully change the requirements for communications between predecessor and successor auditors that already exist.</p> <p>NASBA firmly believes that it is in the public interest to allow the predecessor auditor to freely discuss matters involving NOCLAR with the successor auditor.</p>	<p>The Task Force continues to support the ASB’s determination to not require communication absent client consent. The ASB had concluded that the absence of authorization by management for an auditor to make inquiries of a predecessor auditor should alert the auditor to carefully consider engagement acceptance, irrespective of the basis for the lack of authorization.</p>
<p>Agenda Item 1B</p>			<p>Page 4 of 63</p>

NOCLAR – Summary of Comments Received on ED – September 2021
ASB Meeting, September 9, 2021

Overall Comments			
Type	Respondent	Coded Text	Task Force Consideration
General Comments	07 – Ernst & Young LLP	We support the proposed SAS and believe it would increase transparency and sharing of information between predecessor and successor auditors as part of the successor auditor’s client acceptance process. We are especially supportive of the proposed amendments to require the successor auditor to inquire of the predecessor auditor regarding identified or suspected fraud or noncompliance with laws and regulations (NOCLAR), once management authorizes the predecessor auditor to respond to inquiries from the successor auditor.	
General Comments	08 - PCPS Technical Issues Committee	<p>AU-C 210.A33 includes matters the successor auditor may inquire of the predecessor, including communications to those charged with governance regarding fraud and noncompliance with laws and regulations (NOCLAR) by the entity. TIC appreciates the effort of the Auditing Standards Board (ASB) to require an auditor, once management authorizes the predecessor auditor to respond to inquiries from the auditor, to inquire of the predecessor auditor regarding fraud and matters involving NOCLAR. However, TIC believes the current audit requirements are working as intended and the proposed amendments do not change where red flags and knowledge transfer occur.</p> <p>TIC believes PEEC should first address the issues with regard to all members’ responsibilities related to NOCLAR and, then, the ASB can determine what changes, if any, need to be made to the auditing standards. If changes are made to the auditing standards, TIC believes the inquiries and responses should be limited to matters communicated with those charged with governance. While this is addressed in paragraph .A31 of the exposure draft, TIC believes this should be made clear in paragraph 12 and not in the application material.</p>	The Task Force does not believe that the proposed revision will have a substantial impact on practice as the revision is primarily an elevation of application guidance to a requirement. Further, the Task Force believes that the issue has been thoroughly considered and concluded upon by the ASB.

NOCLAR – Summary of Comments Received on ED – September 2021
ASB Meeting, September 9, 2021

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Type	Respondent	Coded Text	Task Force Consideration
General Comments	11 - Deloitte & Touche LLP	<p>We are supportive of the ASB’s proposal to amend generally accepted auditing standards to require a successor auditor to specifically inquire of the predecessor auditor regarding identified or suspected fraud or noncompliance with laws or regulations (“NOCLAR”), <i>when and only if</i> management authorizes the predecessor auditor to respond fully to the inquiries. It is our view that the divergence with International Standards on Auditing (“ISAs”) to require consent of management is appropriate and necessary for our jurisdiction, given requirements within the AICPA Code of Professional Conduct, as well as other legal ramifications of disclosing confidential client information.</p> <p>We also believe that there are circumstances when a predecessor auditor’s response may need to be limited; therefore we are supportive of retaining certain exceptions in the amended standard for the predecessor auditor to not fully respond to inquiries of the successor.</p>	
General Comments	12 – Crowe LLP	<p>The proposed revisions have the intent of supporting and enhancing the vital role of auditors in protecting the public interest by facilitating a knowledge transfer from a predecessor auditor to an auditor with respect to identified or suspected fraud and matters involving noncompliance with laws and regulations. We acknowledge that the additions included in the proposed SAS are consistent with matters that a predecessor auditor is required to communicate to those charged with governance in accordance with other auditing standards.</p>	

NOCLAR – Summary of Comments Received on ED – September 2021
ASB Meeting, September 9, 2021

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General Comments	13 - Grant Thornton LLP	<p>We acknowledge the changes made by IFAC’s International Ethics Standards Board of Accountants (IESBA) to the International Code of Ethics for Professional Accountants (IESBA Code) described in the exposure draft. However, we question whether it is necessary for the Auditing Standards Board (ASB) to reflect IESBA changes related to communications between successor and predecessor auditors in auditing standards generally accepted in the United States (US GAAS). As discussed in more detail below, if the ASB determines that changes are truly necessary, we believe a better approach would be to appropriately strengthen the AICPA Code of Professional Conduct (AICPA Code) as opposed to amending US GAAS.</p> <p>For over 20 years, US GAAS has required the successor auditor to make inquiries of the predecessor auditor about a variety of matters, including noncompliance with laws and regulations (NOCLAR), a requirement that does not exist in International Standards on Auditing (ISAs). We believe the existence of this incremental requirement further supports the argument that enhancing the AICPA Code is the most appropriate approach for convergence with the changes to the IESBA Code. Further, we are unaware of current deficiencies or audit quality issues in our jurisdiction with successor and predecessor auditor communications and, therefore, encourage the Board to be judicious about any additional requirements it introduces within US GAAS.</p>	The Task Force does not believe that the proposed revision will have a substantial impact on practice as the revision is primarily an elevation of application guidance to a requirement. Further, the Task Force believes that the issue has been thoroughly considered and concluded upon by the ASB.
General Comments	14 – CliftonLarsonAllen LLP	We believe matters related to fraud and NOCLAR are important factors to be considered when determining whether to accept an engagement, and we support the ASB’s efforts to assist with the transfer of knowledge to successor auditors.	

NOCLAR – Summary of Comments Received on ED – September 2021
ASB Meeting, September 9, 2021

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General Comments	19 - BDO USA LLP	<p>We are supportive of the Board’s objectives of protecting the public interest by enhancing the communication between the proposed successor auditor and the predecessor auditor on matters relating to identified or suspected fraud and NOCLAR. We find the Board’s proposed amendments to be in alignment with the current requirements in the Public Company Accounting Oversight Board (PCAOB) standards.</p> <p>In general, we are supportive of the narrow revisions to the auditing standards, while acknowledging that the auditor’s compliance with the professional, ethical and legal requirements in this area remain complex and challenging.</p>	
General Comments	21 – Mazars USA LLP	<p>Mazars supports the Auditing Standards Board’s (ASB) efforts to improve and strengthen auditor communication, to assist auditors in making informed decisions during acceptance of new clients, and to bring U.S. GAAS requirements more in line with PCAOB standards (specifically AS 2610, <i>Initial Audits – Communications Between Predecessor and Successor Auditors</i>). We believe that strong client acceptance procedures are key to our firm’s success, and strengthening the underlying professional standards will benefit both our firm and the profession as a whole.</p>	
General Comments	22 - PricewaterhouseCoopers LLP	<p>We support the proposed SAS and the ASB’s objective of enhancing communications between predecessor and successor auditors in relation to matters such as non-compliance with laws and regulations (NOCLAR) and fraud. We believe the ASB’s approach aligns more closely to PCAOB AS 2610 and appropriately balances the desire for additional transparency about significant matters that are likely to influence the successor auditor’s</p>	

NOCLAR – Summary of Comments Received on ED – September 2021
ASB Meeting, September 9, 2021

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		<p>determination of whether to accept the audit engagement with the long-standing principles of client confidentiality and client consent.</p> <p>We believe only narrow scope amendments at this time are appropriate in light of the Professional Ethics Executive Committee’s (PEEC) ongoing revisions to the AICPA Code of Professional Conduct with respect to NOCLAR. As noted in Board member Heath’s dissent, both the ASB and PEEC should carefully consider the interactions between their respective professional standards, the Uniform Accountancy Act, and state law in setting out requirements for enhanced auditor communications about NOCLAR and fraud. We acknowledge that the finalization of the PEEC’s revisions may result in the need for further revisions to the ASB’s standards.</p>	

NOCLAR – Summary of Comments Received on ED – September 2021
ASB Meeting, September 9, 2021

Request for Specific Comment #1 Does the respondent agree with the ASB’s determination that it is appropriate to retain the requirement for the auditor, prior to accepting an initial audit, including a reaudit engagement, to request management to authorize the predecessor auditor to respond fully to the auditor’s inquiries? If not, why not, and how would the respondent revise the requirement (for example, by making the procurement of management’s agreement a precondition for the auditor to accept the engagement or requiring the auditor to communicate with the predecessor auditor without management’s authorization)?			
Type	Respondent	Coded Text	Task Force Consideration
Supportive	01 - KPMG LLP	Response: We agree with the Board’s proposal to retain the requirement for the auditor to request management to authorize the predecessor auditor to respond fully to the auditor’s inquiries. This requirement allows the predecessor auditor to communicate with the potential successor auditor without breaching their responsibilities over confidential information. Further, should management not authorize the inquiry, the requirement makes the auditor consider the implications of that refusal in deciding whether to accept the engagement.	✓
Supportive	02 - Michigan Office of the Auditor General	Response: Yes, we agree with the ASB’s position to maintain the requirement in AU-C section 210 for an auditor to request that management authorize the predecessor auditor to respond to the auditor’s inquiries. We appreciate that the ASB is only adding a new standard if management provides the auditor the authorization to contact the predecessor auditor.	✓
Supportive	04 - Tennessee Department of Audit	We agree with the ASB’s determination to retain the requirement for the auditor to request management to authorize the predecessor auditor to respond fully to the auditor’s inquiries. The requirement is important because a refusal of the request or a management limitation would inform the auditor of potential concerns that could influence the engagement acceptance process.	✓
Supportive	05 - National State Auditor's Association	We agree with the ASB’s determination to retain the requirement for the auditor to request management to authorize the predecessor auditor to respond fully to the auditor’s inquiries. The requirement is important because a refusal of the request or a limitation by management would inform the auditor of potential concerns that could influence the engagement acceptance process.	✓

NOCLAR – Summary of Comments Received on ED – September 2021
ASB Meeting, September 9, 2021

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Type	Respondent	Coded Text	Task Force Consideration
Supportive	07 - Ernst & Young LLP	Yes, as highlighted by the Board, the requirement for the successor auditor, prior to accepting an initial or a reaudit engagement, to request that management authorize the predecessor auditor to respond fully to the successor auditor’s inquiries is an important step in helping the successor auditor determine whether to accept the engagement while allowing the predecessor auditor to fulfill its professional duty to maintain the confidentiality of the information of its former client.	√
Supportive	08 - PCPS Technical Issues Committee	Yes, TIC believes the requirement for the auditor, prior to accepting the engagement, including a reaudit engagement, to request management to authorize the predecessor auditor to fully respond to the auditor’s inquiries should be retained.	√
Supportive	09 - Virginia Society of CPAs	Yes. Such a requirement ensures compliance regarding client confidentiality.	√
Supportive	10 - California Society of CPAs	Yes, the Committee believes it is appropriate to retain the requirement for the successor auditor, prior to accepting an initial audit, to request management to authorize the predecessor auditor to respond fully to an auditor’s inquiries.	√

NOCLAR – Summary of Comments Received on ED – September 2021
ASB Meeting, September 9, 2021

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Type	Respondent	Coded Text	Task Force Consideration
Supportive	11 - Deloitte & Touche LLP	Yes. D&T strongly believes the requirement to obtain management’s authorization for the predecessor auditor to respond to the auditor’s inquiries should be retained in US generally accepted auditing standards. In the absence of any valid laws or government regulations requiring disclosure, failure to obtain approval from management prior to disclosing confidential information would be in violation of professional standards within the AICPA Code of Professional Conduct. In addition, requiring management authorization is consistent with the requirements of the standards of the PCAOB (PCAOB AS 2610, <i>Initial Audits — Communications between Predecessor and Successor Auditors</i>).	
Supportive	12 - Crowe LLP	Yes, we agree that it is appropriate and important to retain the existing audit requirement that the auditor request management to authorize the predecessor auditor to respond fully to the auditor’s inquiries regarding matters that will assist the auditor in determining whether to accept the engagement. The requirement for the predecessor auditor to obtain management’s authorization to respond to the auditor is critical to maintaining client confidentiality under the AICPA Code of Professional Conduct (AICPA Code).	
Supportive	14 - CliftonLarsonAllen LLP	We agree that it is appropriate to retain the requirement that the auditor request management to authorize the predecessor auditor to respond fully to the auditor’s inquiries prior to accepting the engagement because we do not believe it would be appropriate for an auditor to communicate with the predecessor auditor without management’s authorization. While not conclusive, we believe that management’s refusal to authorize such communication would assist the auditor in determining whether to accept the engagement.	

NOCLAR – Summary of Comments Received on ED – September 2021
ASB Meeting, September 9, 2021

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Type	Respondent	Coded Text	Task Force Consideration
Supportive	17 – Arkansas Society of CPAs	<ul style="list-style-type: none"> • Yes, I believe it is appropriate to retain the requirement for the auditor, prior to initial audit acceptance, to request management to authorize the predecessor auditor to respond fully to the auditor's inquiries. • I believe it is appropriate and important to retain the requirement that the auditor request management to authorize the predecessor auditor to respond fully. I do not believe that it should be considered a precondition, however. It should be left up to the auditor to determine whether to accept the engagement once management has not authorized the discussions with the predecessor. • Yes • I agree that retaining the auditor's requirement to request management authorization is appropriate. The simple process of requesting management approval can provide information necessary to the auditor 	
Supportive	18 - Montana Legislative Audit Division	Members of our staff have read the proposed draft and are in agreement with all four of the requests for specific comment.	
Supportive	21 - Mazars USA LLP	<p>We agree with the ASB’s determination that it is appropriate to retain the requirement for the auditor, prior to accepting an initial audit, including a reaudit engagement, to request management to authorize the predecessor auditor to respond fully to the auditor’s inquiries.</p> <p>We believe obtaining explicit management authorization is an important step in the client acceptance process. First, it creates an opportunity to clarify for</p>	

NOCLAR – Summary of Comments Received on ED – September 2021
ASB Meeting, September 9, 2021

Request for Specific Comment #1			
Does the respondent agree with the ASB’s determination that it is appropriate to retain the requirement for the auditor, prior to accepting an initial audit, including a reaudit engagement, to request management to authorize the predecessor auditor to respond fully to the auditor’s inquiries? If not, why not, and how would the respondent revise the requirement (for example, by making the procurement of management’s agreement a precondition for the auditor to accept the engagement or requiring the auditor to communicate with the predecessor auditor without management’s authorization)?			
Type	Respondent	Coded Text	Task Force Consideration
		management our responsibilities under auditing standards as they relate to predecessor auditor communications. It also creates an opportunity for management to discuss with the auditor the nature of the prior auditor relationship and the basis for changing auditors. This information, along with any corroborating or differing information obtained through discussion with the predecessor auditor, is impactful in making a client acceptance decision. We also believe that it is important to allow management the opportunity to not authorize the discussion with the predecessor auditor, as there can be unique situations where such communications could be problematic, for example if there is litigation between the parties. Lastly, we believe that it is important for the predecessor auditor to know that such discussions have been authorized so that they are not in a position of violating the AICPA Code of Professional Conduct related to disclosing confidential information. Explicit authorization of the successor auditor’s discussion with the predecessor auditor mitigates the risk of negative professional or legal consequences.	
Supportive	22 - PricewaterhouseCoopers LLP	<p>Yes, we agree with the ASB’s determination that it is appropriate to retain the requirement for the auditor to request that management authorize the predecessor auditor to respond fully to the auditor’s inquiries for the reasons stated in the Explanatory Memorandum to the Exposure Draft. This requirement is also consistent with the PCAOB’s framework set out in AS 2610, which requires client consent before such communications.</p> <p>We do not believe it would be appropriate to embed client consent in the terms of the engagement or otherwise make such consent a precondition for the audit.</p>	

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Does the respondent agree with the ASB’s determination that it is appropriate to retain the requirement for the auditor, prior to accepting an initial audit, including a reaudit engagement, to request management to authorize the predecessor auditor to respond fully to the auditor’s inquiries? If not, why not, and how would the respondent revise the requirement (for example, by making the procurement of management’s agreement a precondition for the auditor to accept the engagement or requiring the auditor to communicate with the predecessor auditor without management’s authorization)?			
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		As discussed in the Explanatory Memorandum to the Exposure Draft, if management does not authorize the predecessor auditor to respond fully to the auditor’s inquiries, any refusal or limitation is made known to the successor auditor and is taken into account in deciding whether to accept the engagement. This approach is preferable to one that would require or enable auditors to communicate without client consent, which could create legal risk for auditors, irrespective of whether such consent was deemed to be implicit in agreeing to the terms of the engagement. Judgments relating to client confidentiality and potential successor auditor communications about NOCLAR or fraud are complex and involve consideration of state law; therefore, we believe it is always necessary to obtain client consent prior to communicating with the successor auditor.	
Supportive	23 - Moss Adams LLP	<p>We agree with the ASB’s determination to retain the existing requirement (paragraph .11 of extant AU-C section 210) for the potential successor auditor to request management to authorize the predecessor auditor to fully respond to the potential successor auditor’s inquiries. We have not experienced any issues in practice that would necessitate changes, and we believe it remains important for the predecessor auditor to obtain management’s informed consent before responding.</p> <p>In addition, we concur with the additional language in paragraph .11 of the proposed SAS that a predecessor auditor exist for the requirement to apply, and with the clarification in the second bullet point to consider the implications of a refusal or limitation in deciding whether to accept the engagement.</p>	

NOCLAR – Summary of Comments Received on ED – September 2021
ASB Meeting, September 9, 2021

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Type	Respondent	Coded Text	Task Force Consideration
Supportive	24 – Commonwealth of Virginia Auditor of Public Accounts	We agree with the Board’s proposed changes to the existing standards.	
Supportive with Comments	03 - U.S. Government Accountability Office	<p>We agree with the Auditing Standards Board’s (ASB) proposal to retain the requirement for the auditor, prior to accepting an initial audit or reaudit engagement, to request that management authorize the predecessor auditor to respond fully to the auditor’s inquiries. We believe that management not authorizing the predecessor auditor to fully respond to the auditor’s inquiries is important information for the auditor to consider during the engagement acceptance process.</p> <p>To improve the clarity with respect to governmental audit organizations, we suggest that the ASB consider clarifying that in the governmental environment, auditors may find it is necessary to obtain authorization from parties in addition to management for inquiries to predecessor auditors about suspected fraud and noncompliance with laws and regulations (NOCLAR).² Such parties may include, for example, those charged with governance or those contracting for or requesting the audit.³ We suggest that the ASB add to the application guidance a paragraph explaining this distinction, followed by some examples.</p>	Agreed- application paragraph added.

NOCLAR – Summary of Comments Received on ED – September 2021
ASB Meeting, September 9, 2021

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Does the respondent agree with the ASB’s determination that it is appropriate to retain the requirement for the auditor, prior to accepting an initial audit, including a reaudit engagement, to request management to authorize the predecessor auditor to respond fully to the auditor’s inquiries? If not, why not, and how would the respondent revise the requirement (for example, by making the procurement of management’s agreement a precondition for the auditor to accept the engagement or requiring the auditor to communicate with the predecessor auditor without management’s authorization)?			
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Supportive, with comments	06 - National Association of State Boards of Accountancy	We reiterate our comment above. NASBA also agrees that if the successor auditor is required to request that management authorize the predecessor’s full response to his or her inquiries about NOCLAR, and management declines, that action should trigger a red flag to the successor auditor.	See Task Force consideration under Overall Comments above.
Supportive with Comments	13 - Grant Thornton LLP	<p>We recommend retaining the success auditor requirement to obtain management’s authorization for the predecessor auditor to respond to the successor auditor’s inquiries as it appears currently in paragraph 11 in AU-C Section 210, <i>Terms of Engagement</i>. We do not agree with the revisions to paragraph 11 as set forth in the Proposed SAS. We believe the proposed edits overcomplicate a requirement that is generally well understood in the profession, create unnecessary repetition with the proposed requirements stated in paragraphs 12 and 13, and diminish the importance of other inquiries.</p> <p>In addition, we believe that the proposed requirement to make the procurement of management’s agreement a precondition for the auditor to accept the engagement is not practical and may impair audit quality with respect to communications with management. We also disagree with including a requirement within US GAAS for the successor auditor to communicate with the predecessor auditor without management’s authorization, as such requirement would seem inappropriate from an ethical perspective and could potentially expose the predecessor auditor to legal liability.</p>	<p>The Task Force does not believe that the proposed revision will have a substantial impact on practice as the revision is primarily an elevation of application guidance to a requirement.</p> <p>The proposal does not result in a precondition for audit acceptance. Instead, the absence of authorization by management for an auditor to make inquiries of a predecessor auditor would result in a “red flag” that the potential successor auditor would</p>

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			<p>consider in determining whether to accept the engagement.</p> <p>The proposal would retain the requirement for the prospective successor auditor to request management to authorize the predecessor auditor to respond fully to the auditor’s inquiries regarding matters that will assist the auditor in determining whether to accept the engagement prior to any inquiry of the predecessor.</p>
Supportive with Comments	15 - Florida Institute of CPAs	Generally, the Committee supports the ASB’s determination to retain the requirement. Regarding the alternatives referenced, the Committee was persuaded that the successor-verification and predecessor-identification challenges, as raised in the Exposure Draft, weigh against removing the requirement, at least at this time. The Committee was less sympathetic,	

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		<p>however, to the concern that a “requirement or precondition might result in an entity being unable to engage an auditor.” Similarly, some questioned why a generally applicable requirement or precondition couldn’t be implemented, subject to limited exceptions and accompanying documentation requirements. Even so, the Committee defers to the ASB’s reasoning on this issue. Indeed, the Committee recognizes that the ASB is well-positioned and better-informed than the Committee regarding the manageability and significance of such impact on auditor availability.</p> <p>However, the Committee is troubled by the ASB’s retreat from its initially considered application material regarding auditors’ discretion in handling authorization requests. In particular, the Committee believes that many predecessor and successor auditors, alike, will not be satisfied by management’s “broad acknowledgments” of the professional standards applicable to audits. Consider the following:</p> <p>During its conference call on December 6, 2019, the ASB considered the audit-precondition and engagement letter alternatives for AU-C §210 paragraphs .06 and .10, respectively. See generally Agenda Item 3, Discussion Memorandum. At its meeting on January 13-16, 2020, the NOCLAR Task Force (the Task Force) proposed forgoing a requirement and, instead, incorporating application material that recognized the auditor’s discretion to request explicit consent. See Agenda Item 3, Discussion Memorandum, Issue 2 re: proposed par. A.27.</p>	<p>The ASB determined to not be prescriptive with respect to engagement letter language. The Task Force supports this determination.</p>

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Does the respondent agree with the ASB’s determination that it is appropriate to retain the requirement for the auditor, prior to accepting an initial audit, including a reaudit engagement, to request management to authorize the predecessor auditor to respond fully to the auditor’s inquiries? If not, why not, and how would the respondent revise the requirement (for example, by making the procurement of management’s agreement a precondition for the auditor to accept the engagement or requiring the auditor to communicate with the predecessor auditor without management’s authorization)?			
Type	Respondent	Coded Text	Task Force Consideration
		<p>Subsequently, at its meeting on July 20-23, 2020, the Task Force reassigned such material to proposed paragraph A.23 (relating to optional engagement letter provisions). The guidance remained in the drafted proposal as of the meeting on October 19-22, 2020, but it was then removed, without revision or adequate explanation, by the meeting on January 11-14, 2021. Even if implications of the wording warranted a revision, the Committee believes that its removal, without replacement, diminishes the potential of the proposal to effect a shift in norms and practices toward greater transparency.</p> <p>The Committee believes that application material linked to AU-C §210.10 would greatly enhance the auditor’s ability to “understand [the amendments’] objectives and to apply [their] requirements properly,” within the meaning of AU-C §200.21. Even if such material were excluded, the SAS would lead to varying levels of proactiveness with which auditors address the issue of consent in their engagement terms. Recognizing the inevitable diversity, the ASB should utilize amended application material to consider potential approaches to managing authorization requests, which may entail a list of discretionary factors. It further warrants mention that practice aids, on which nonpublic company auditors rely extensively, draw upon application material in their templates and forms. To promote an understanding of the range of permissible approaches, the ASB should recognize the significance that application material may play in informing nonpublic company auditor judgments in this context.</p>	

Request for Specific Comment #1			
Does the respondent agree with the ASB’s determination that it is appropriate to retain the requirement for the auditor, prior to accepting an initial audit, including a reaudit engagement, to request management to authorize the predecessor auditor to respond fully to the auditor’s inquiries? If not, why not, and how would the respondent revise the requirement (for example, by making the procurement of management’s agreement a precondition for the auditor to accept the engagement or requiring the auditor to communicate with the predecessor auditor without management’s authorization)?			
Type	Respondent	Coded Text	Task Force Consideration
Supportive with Comments	16 – CAMICO Insurance Company	<p>Yes. Prior to accepting an engagement to audit or reaudit financial statements, auditors should request management to authorize the predecessor auditor to respond fully to the auditors’ inquiries.</p> <p>However, we believe this requirement should be expanded to require the auditor to (1) request management to authorize the predecessor auditor to not only respond fully to the successor auditor’s inquiries, but also to speak openly with the successor auditor; and (2) regardless of whether the client authorizes the predecessor auditor to communicate with the successor auditor, the predecessor should be permitted to communicate concerns regarding Fraud and Noncompliance with Laws and Regulations.</p> <p>International standards do not mute predecessor auditors when the client does not authorize the predecessor to communicate with the successor, and from a risk management perspective, we are supportive of this approach. It is CAMICO’s understanding that the AICPA’s Confidential Client Information Rule [ET 1.700.001] does not take precedence over the Compliance with Standards Rule [ET 1.310.001], nor does it override the foundation to the AICPA’s Code of Conduct detailed in the Code’s Preamble [ET 0.300.010]. The following is an excerpt from the Preamble:</p> <p>These Principles of the Code of Professional Conduct of the American Institute of Certified Public Accountants express the profession’s recognition of its <i>responsibilities to the public, to clients, and to colleagues</i>. They guide</p>	<p>“Permission” for the predecessor auditor to communicate with the successor auditor absent client consent would be governed by the “Client Confidentiality” section of the Code of Professional Conduct.</p>

Request for Specific Comment #1			
Does the respondent agree with the ASB’s determination that it is appropriate to retain the requirement for the auditor, prior to accepting an initial audit, including a reaudit engagement, to request management to authorize the predecessor auditor to respond fully to the auditor’s inquiries? If not, why not, and how would the respondent revise the requirement (for example, by making the procurement of management’s agreement a precondition for the auditor to accept the engagement or requiring the auditor to communicate with the predecessor auditor without management’s authorization)?			
Type	Respondent	Coded Text	Task Force Consideration
		<p>members in the performance of their professional responsibilities and express the basic tenets of ethical and professional conduct. The Principles call for an <i>unswerving commitment to honorable behavior, even at the sacrifice of personal advantage</i>. [emphasis added]</p> <p>The background section of the NOCLAR Exposure Draft distinguishes the AICPA proposal from the international standards, indicating “certain provisions were not included in the AICPA proposals because they were believed to be incompatible with most state laws and regulations on client and employer confidentiality.”</p> <p>However, by issuing a standard that does not agree with international standards, we believe our profession would be shirking its responsibilities to the public and to colleagues (two of the three groups to which accountants owe a duty), and the public could perceive that distinguishing the U.S standards from international standards shirks the profession’s commitment to honorable behavior. Accountants, state societies, boards of accounting and other stakeholders will be able to communicate or make the needed modifications to their rules by the effective date of the proposed standard.</p> <p>It would be preferable if the Uniform Accountancy Act (UAA) were modified to incorporate NOCLAR requirements authorizing predecessors to voluntarily share their concerns regarding fraud and suspected noncompliance with laws and regulations before the effective date of this proposed standard. But these</p>	

Request for Specific Comment #1			
Does the respondent agree with the ASB’s determination that it is appropriate to retain the requirement for the auditor, prior to accepting an initial audit, including a reaudit engagement, to request management to authorize the predecessor auditor to respond fully to the auditor’s inquiries? If not, why not, and how would the respondent revise the requirement (for example, by making the procurement of management’s agreement a precondition for the auditor to accept the engagement or requiring the auditor to communicate with the predecessor auditor without management’s authorization)?			
Type	Respondent	Coded Text	Task Force Consideration
		<p>changes not already having been made should not be an impediment to taking the appropriate steps to serve the public and colleagues.</p> <p>The professional standards the CPA profession promulgates should not impede CPAs from communicating knowledge or suspicions of fraud or noncompliance with laws and regulations to successors. A mantra CAMICO recommends CPAs follow is “to stay on the side of the angels,” which means do not let innocent parties be harmed when conflicts exist in applying professional standards or legal standards. ET 1.000.020 of the AICPA Code of Conduct discusses <i>ethical conflicts</i> and uses the responsibility to maintain client confidentiality as an example of such a conflict. The Auditing Standards Board has an opportunity to address this conflict by permitting predecessor auditors to communicate these concerns to their successors.</p> <p>In summary, CAMICO believes the AICPA should (1) adopt the IESBA Code requirement that predecessor auditors, when requested by a proposed successor auditor, should provide all information concerning NOCLAR that, in the predecessor auditor’s opinion, the proposed successor auditor should be aware of before deciding whether to accept the audit engagement; and (2) advance changes to the UAA embracing these changes.</p>	

Request for Specific Comment #1			
Does the respondent agree with the ASB’s determination that it is appropriate to retain the requirement for the auditor, prior to accepting an initial audit, including a reaudit engagement, to request management to authorize the predecessor auditor to respond fully to the auditor’s inquiries? If not, why not, and how would the respondent revise the requirement (for example, by making the procurement of management’s agreement a precondition for the auditor to accept the engagement or requiring the auditor to communicate with the predecessor auditor without management’s authorization)?			
Type	Respondent	Coded Text	Task Force Consideration
Supportive with Comments	19 - BDO USA LLP	<p>We agree with the ASB’s determination to retain the requirement in paragraph .11 of extant AU-C section 210 for the auditor to request management to authorize the predecessor auditor to respond fully to the auditor’s inquiries prior to the auditor’s acceptance of an initial audit or reaudit engagement. We find this requirement to be appropriate and practical in achieving the Board’s objectives.</p> <p>As noted in the explanatory memorandum to the proposed SAS, the current AICPA Code of Professional Conduct¹ and most state laws and regulations in the United States prohibit, with limited exceptions, the disclosure of confidential client information in the absence of the client’s consent. Furthermore, if management is unwilling to provide their consent to authorize the predecessor auditor to respond fully, this should raise a “red flag” with the auditor and put them on notice that there could be potential issues, such as a suspected NOCLAR, that would influence the auditor’s acceptance of the engagement.</p> <p>1 The “Confidential Client Information Rule” (ET sec. 1.700.001)</p>	

Request for Specific Comment #1 Does the respondent agree with the ASB’s determination that it is appropriate to retain the requirement for the auditor, prior to accepting an initial audit, including a reaudit engagement, to request management to authorize the predecessor auditor to respond fully to the auditor’s inquiries? If not, why not, and how would the respondent revise the requirement (for example, by making the procurement of management’s agreement a precondition for the auditor to accept the engagement or requiring the auditor to communicate with the predecessor auditor without management’s authorization)?			
Type	Respondent	Coded Text	Task Force Consideration
Supportive with Comments	20 - Texas Society of CPAs	<p>The PSC agrees that the requirement to request management to authorize the predecessor auditor to respond fully to the auditor’s inquiries should be retained. The practice of contacting the predecessor auditor, and documenting the communication, is a vital component of audit planning.</p> <p>However, the PSC does not think that it is effective to inquire about suspected fraud and suspected noncompliance as proposed on page 8 paragraph .12. If suspicions concerning fraud or noncompliance are raised during an audit, additional work should be performed to either eliminate or confirm the suspicion. A predecessor auditor should not relay information to the successor auditor that is not supported by audit evidence. Any suspected fraud and noncompliance should be reported to management by the predecessor auditor. The successor auditor should document management’s concerns about possible fraud or noncompliance during the risk assessment portion of the audit.</p>	<p>The language in the proposed requirements mirrors that in AU-C sections 240 and 250. Thus, the effect is that the predecessor auditor would communicate to the successor auditor, those matters that had previously been communicated to those charged with governance.</p>

Request for Specific Comment #2			
Are the proposed requirements appropriate and complete, including whether it is appropriate to continue to provide an exception that permits the predecessor auditor to decline to respond to the auditor’s inquiries due to impending, threatened, or potential litigation; disciplinary proceedings; or other unusual circumstances? If not, please suggest specific revisions to the proposals.			
Type	Respondent	Coded Text	Task Force Consideration
Supportive	01 - KPMG LLP	<p>Response: We believe that the inquiry requirements of the auditor and predecessor auditor are appropriate and complete. Specifically, we agree with the Board on the following matters: — It is in the public interest for a knowledge transfer to occur from the predecessor auditor to the auditor with respect to identified or suspected fraud and matters involving NOCLAR; therefore, requiring the auditor to inquire with the predecessor auditor.</p> <p>— When management fails to provide the predecessor auditor with authorization to respond fully, or when there is a limitation of the predecessor auditor’s response, requiring the auditor to consider the implications on whether to accept the engagement is appropriate.</p> <p>— The proposed SAS is clear that the predecessor auditor is expected to respond fully to the auditor’s inquiries, while acknowledging that circumstances may exist in which the predecessor auditor may not fully respond to those inquiries.</p>	
Supportive	02 - Michigan Office of the Auditor General	<p>Response: We consider the proposed requirements as appropriate including the noted exceptions to decline to respond to the auditor’s inquiry in the event of threatened, or potential litigation; disciplinary proceedings; or other unusual circumstances. We would expect the predecessor auditor to explain any such “unusual circumstances”.</p>	<p>The Task Force determined that a requirement to “explain” would introduce issues as to the “extent of the explanation” and may cause further issues with respect to confidentiality. The Task Force also felt that an explanation to the potential successor auditor may put the predecessor</p>

NOCLAR – Summary of Comments Received on ED – September 2021
ASB Meeting, September 9, 2021

Request for Specific Comment #2			
Are the proposed requirements appropriate and complete, including whether it is appropriate to continue to provide an exception that permits the predecessor auditor to decline to respond to the auditor’s inquiries due to impending, threatened, or potential litigation; disciplinary proceedings; or other unusual circumstances? If not, please suggest specific revisions to the proposals.			
Type	Respondent	Coded Text	Task Force Consideration
			auditor in a position of disclosing litigation concerns to the former client.
Supportive	03 - U.S. Government Accountability Office	<p>We believe that the proposed requirements are appropriate and complete. These include whether it is appropriate to continue to provide an exception that permits the predecessor auditor to decline to respond to the auditor’s inquiries because of impending, threatened, or potential litigation; disciplinary proceedings; or other unusual circumstances.</p> <p>In our view, it is in the public interest for the auditor to seek information on identified or suspected fraud and matters involving NOCLAR to help make informed decisions about whether to accept an audit engagement. It is also our view that the predecessor auditor should clearly state when a response is limited when circumstances warrant</p>	✓
Supportive	04 - Tennessee Department of Audit	<p>We believe the proposed ED requirements are appropriate and complete, including providing an exception in ¶13 permitting the predecessor auditor to decline to respond to the auditor’s inquiries due to impending, threatened, or potential litigation; disciplinary proceedings; or other unusual circumstances. We also agree it is appropriate for this paragraph to emphasize that “such circumstances are expected to be rare.”</p>	✓
Supportive	05 - National State Auditor's Association	<p>We believe the requirements posed in the exposure draft are appropriate and complete, including providing an exception in paragraph 13 that permits the predecessor auditor to decline to respond to the auditor’s inquiries due to impending, threatened, or potential litigation; disciplinary proceedings; or other</p>	✓

NOCLAR – Summary of Comments Received on ED – September 2021
ASB Meeting, September 9, 2021

Request for Specific Comment #2			
Are the proposed requirements appropriate and complete, including whether it is appropriate to continue to provide an exception that permits the predecessor auditor to decline to respond to the auditor’s inquiries due to impending, threatened, or potential litigation; disciplinary proceedings; or other unusual circumstances? If not, please suggest specific revisions to the proposals.			
Type	Respondent	Coded Text	Task Force Consideration
		unusual circumstances. We also agree it is appropriate for this paragraph to emphasize that “such circumstances are expected to be rare.”	
Supportive	07 - Ernst & Young LLP	Yes, we agree that, in some rare circumstances, it would be appropriate to limit responses by predecessor auditors. Therefore, we support requiring the predecessor auditor to clearly state in these situations that the response is limited because this notification would provide the successor auditor with relevant information to determine whether to perform other procedures in connection with the acceptance of the audit engagement.	
Supportive	09 - Virginia Society of CPAs	Yes, the proposed requirements are appropriate and complete. The exception provided allows a predecessor auditor to decline to respond due to impending, threatened, or potential litigation, which is and should be allowable in such circumstances.	
Supportive	10 - California Society of CPAs	We believe the requirements are appropriate and complete, including providing for an exception that permits the predecessor auditor to decline to respond to the successor auditor’s inquiries due to potential litigation, disciplinary proceedings and/or other circumstances. We understand and support the need to have this exception.	
Supportive	11 - Deloitte & Touche LLP	Yes. D&T supports, pursuant to obtaining authorization from management, the requirements in paragraph 12 for the successor auditor to specifically inquire about identified or suspected fraud and matters involving NOCLAR. D&T also supports retaining the exception in paragraph 13 that permits the predecessor to decline or limit their response due to unusual circumstances.	
Supportive	12 - Crowe LLP	Yes, we believe the AICPA Code is clear that members are expected to cooperate with each other, and this serves to protect against the potential of inappropriate limitations on a predecessor auditor’s response to an auditor’s inquiries. The statement in proposed paragraph .13, which more clearly states	

NOCLAR – Summary of Comments Received on ED – September 2021
ASB Meeting, September 9, 2021

Request for Specific Comment #2			
Are the proposed requirements appropriate and complete, including whether it is appropriate to continue to provide an exception that permits the predecessor auditor to decline to respond to the auditor’s inquiries due to impending, threatened, or potential litigation; disciplinary proceedings; or other unusual circumstances? If not, please suggest specific revisions to the proposals.			
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		that the predecessor is expected to fully respond to the auditor’s inquiries, is consistent with that notion. Thus, we believe the proposed requirements are appropriate and complete, including providing an exception that permits the predecessor to decline to respond to the auditor’s inquiries in specific or unusual circumstances. We also agree that in circumstances where the predecessor auditor decides not to fully respond to the auditor’s inquiries, the predecessor auditor should clearly indicate that their response is limited.	
Supportive	16 – CAMICO Insurance Company	We agree that the extant standard exception should be retained permitting predecessor auditors to limit their responses to successor auditors’ inquiries when disciplinary proceedings, impending or threatened litigation, or other unusual circumstances exist, but (as detailed in our response above), we believe predecessors, when responding to inquiries from proposed successor auditors, should not require client consent to share their concerns regarding fraud or NOCLAR.	√
Supportive	18 - Montana Legislative Audit Division	Members of our staff have read the proposed draft and are in agreement with all four of the requests for specific comment.	√
Supportive	20 - Texas Society of CPAs	The PSC agrees that the proposed requirements, including the exceptions allowing for the predecessor auditor to decline to respond to the auditor’s inquiries, are appropriate and complete. The PSC also agrees as proposed in paragraph .13 that when limited responses are provided by the predecessor auditor, this should be noted in the audit documentation of the communication.	√
Supportive	22 - PricewaterhouseCoopers LLP	We agree with enhancing the requirements for predecessor auditors to provide more transparency to auditors about NOCLAR and fraud, essentially by elevating application material in paragraph A33 of extant AU-C section 210 to a new requirement (paragraph 12 of the proposed SAS). In practice, we believe	√

NOCLAR – Summary of Comments Received on ED – September 2021
ASB Meeting, September 9, 2021

Request for Specific Comment #2
Are the proposed requirements appropriate and complete, including whether it is appropriate to continue to provide an exception that permits the predecessor auditor to decline to respond to the auditor’s inquiries due to impending, threatened, or potential litigation; disciplinary proceedings; or other unusual circumstances? If not, please suggest specific revisions to the proposals.

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		<p>these matters are often communicated due to the more prescriptive communications requirements in PCAOB AS 2610. We also support the ASB’s decision to include the proposed communication requirement among matters required to be communicated to those charged with governance in accordance with AU-C sections 240 and 250. Those charged with governance are best placed to help a successor auditor understand the circumstances surrounding identified and suspected fraud and NOCLAR (including the nature of discussions previously held with the predecessor auditor).</p> <p>Finally, we believe it is appropriate to continue to allow the auditor to exercise professional judgment in determining the nature and extent of communications about fraud and NOCLAR with the successor auditor. Both extant AU-C section 210 and PCAOB AS 2610 highlight that there may be unusual circumstances that may make it difficult for the predecessor auditor to fully respond, for example if there are any disagreements with management or those charged with governance about whether suspected NOCLAR or fraud actually occurred or the potential effect on the audited financial statements. We believe it is appropriate to continue to provide for the possibility that the predecessor auditor may decide to limit a response or decline to respond on the basis of the facts and circumstances of the engagement, recognizing the premise in the <i>AICPA Code of Professional Conduct</i> that members are expected to cooperate with each other.</p>	
Supportive with Comments	08 - PCPS Technical Issues Committee	TIC agrees with continuing to allow for the exception when the predecessor auditor decides, due to impending, threatened, or potential litigation; disciplinary proceedings; or other unusual circumstances, not to fully respond to	The Task Force believes that the application paragraph at .A31 is clear that the information

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		<p>the auditor’s inquiries, and the predecessor auditor should clearly state that the response is limited.</p> <p>However, TIC has concerns with the wording in paragraph .12 related to noncompliance with laws and regulations that indicate the following, in part:</p> <p>“...matters involving noncompliance or suspected noncompliance with laws and regulations that came to the predecessor auditor’s attention during the audit, other than when the matters are clearly inconsequential.”</p> <p>TIC believes that the wording related to “suspected noncompliance” should be limited to the existing auditor reporting responsibilities in AU-C 240 and AU-C 250. Without limiting the matters required to be communicated to suspected noncompliance which were reported to management and, when appropriate, those charged with governance, TIC is concerned the scope is too broad and that predecessors may be put in a position of speculating on potential noncompliance that would be beyond the level of expertise and/or knowledge of most auditors.</p>	<p>communicated is consistent with the information required to be communicated to those charged with governance as part of the audit. Further, “suspected” NOCLAR should not be an issue as “suspected” does not require a level of expertise.</p>
Supportive with Comments	14 - CliftonLarsonAllen LLP	We agree that the auditor should specifically inquire of the predecessor auditor about fraud and matters involving NOCLAR. We believe most auditors are currently making these inquiries and do not anticipate this requirement will change practice. We encourage the ASB to consider whether all of the matters currently in extant AU-C 210.A33 should be included as requirements.	The Task Force does not believe that all of the matters in extant application paragraph .A33 should be elevated to a requirement primarily because such elevation is outside of the scope of the

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Are the proposed requirements appropriate and complete, including whether it is appropriate to continue to provide an exception that permits the predecessor auditor to decline to respond to the auditor’s inquiries due to impending, threatened, or potential litigation; disciplinary proceedings; or other unusual circumstances? If not, please suggest specific revisions to the proposals.			
Type	Respondent	Coded Text	Task Force Consideration
		<p>We note a potential disconnect between the requirement for the successor to make inquiries about suspected fraud and suspected matters involving NOCLAR and the predecessor auditor’s obligation to respond on the basis of known facts. To improve the transfer of knowledge, we suggest removing references to suspected from the required inquiries. We do not believe it is appropriate to request the predecessor auditor to disclose suspected matters involving fraud or NOCLAR to parties other than management because such disclosure potentially exposes the predecessor auditor to unnecessary legal risk.</p> <p>We believe it is appropriate to include an exception permitting the predecessor auditor to decline to respond. We believe there are numerous possible scenarios in practice where it would be appropriate for the predecessor auditor to limit the response, and we believe it is unnecessary to include the sentence, “Such circumstances are expected to be rare.” We believe any requirements for a predecessor auditor to cooperate with the successor auditor should reside in ET Section 1.700.020 of the AICPA Code of Professional Conduct.</p>	<p>objective of the proposed SAS.</p> <p>The Task Force disagrees with the commenter. See response to preceding comment from the PCPS Technical Issues Committee.</p>
Supportive with Comments	15 – Florida Institute of CPAs	Regarding the proposed requirements, the Committee acknowledges that the language derives largely from extant paragraph A.32 and is consistent with members’ responsibilities stated in the AICPA Code of Professional Conduct. Without reservation, the Committee supports exceptions related to “to impending [or] threatened litigation.” Additionally, although recognizing the potential for overgeneralization in practice, the Committee supports the exception related to “potential litigation.” (Some believe that an exception more	

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		<p>akin to “reasonably foreseeable litigation” would achieve preferable results in most instances.)</p> <p>As to the catch-all exception of “other unusual circumstances,” the Committee echoes the ASB’s concerns regarding potential misuse, as raised at its October and December, 2020 meetings. See Meeting Highlights. Indeed, the Committee does not believe the proposed paragraph .13, even with explicit reference to expectations of “rare” usage, adequately addresses such concerns.</p> <p>To be sure, the Committee acknowledges that the “unusual circumstances” language, in extant paragraph A.32, predated the NOCLAR project. Furthermore, like the ASB, the Committee is similarly “unaware of significant practice issues involving predecessor auditors inappropriately limiting their responses.”</p> <p>However, the proposed SAS reasonably contemplates at least some incremental improvement in the knowledge transfer from predecessor to successor auditor. Aware of the heightened significance of the knowledge transfer, but recognizing the availability of an “unusual circumstances” exception, the predecessor auditor may, in turn, become more inclined to limit responses, especially when targeted, potentially sensitive NOCLAR inquiries are raised.</p> <p>Ultimately, the Committee recognizes the appeal and desirability of a catch-all exception. If there is no alternative language that is more objectively determinable than “unusual circumstances,” the ASB should consider whether a</p>	<p>The Task Force disagrees with the commenter and believes that the Code of Conduct requirement that members cooperate with each other properly addresses any concerns. Further, the Task Force is not aware of any allegations that predecessor auditors improperly limit their responses to prospective successor auditors.</p> <p>Additionally, the Task Force believes that the “red flag” raised by an limitation on the predecessor’s response would be appropriately considered by the prospective successor</p>

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Type	Respondent	Coded Text	Task Force Consideration
		<p>list of circumstances that are presumptively “not unusual” warrants consideration.</p> <p>Finally, the Committee raises the potential for unanticipated effects of the “clearly inconsequential” language in the proposed paragraph .12 inquiries. In particular, such threshold, if left intact and without linked application material, could undermine the proposed SAS’s objective of “preventing an unscrupulous client from changing auditors to cover up illegal acts or non-compliance with regulations.”</p> <p>In this regard, consider that the objectives of AU-C §§210 and 250, in paragraphs .03 and .10, respectively, are fundamentally different, even if they share certain overarching purposes. As mentioned in the Exposure Draft, AU-C §250.21 similarly carves out “clearly inconsequential” matters, but it does so in the context of the auditor’s communications with those charged with governance (TCWG). Because TCWG are the intended recipients of NOCLAR information for such purpose, paragraph A.26 sensibly provides that “[t]he auditor may reach agreement in advance with [TCWG] on the nature of matters that would be considered clearly inconsequential and, thus, need not be communicated.”</p> <p>Previously, the ASB considered a variation of the permissible “agreement” language for the application material to AU-C §210. See Agenda Item 3A to the January 13-16, 2020 meeting re: proposed par. A.31. In contrast, there is no “agreement” paragraph bearing on the “clearly inconsequential” threshold in the</p>	<p>auditor in the client acceptance process.</p> <p>The Task Force is aware that the PEEC considered defining the term “clearly inconsequential” and determined that defining such term may create additional confusion among practitioners and may have unintended consequences with respect to other instances of its use in the professional literature.</p> <p>The Task Force also believes that “clearly inconsequential” is a fairly well understood term and is not causing any practice issues.</p>

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Are the proposed requirements appropriate and complete, including whether it is appropriate to continue to provide an exception that permits the predecessor auditor to decline to respond to the auditor’s inquiries due to impending, threatened, or potential litigation; disciplinary proceedings; or other unusual circumstances? If not, please suggest specific revisions to the proposals.			
Type	Respondent	Coded Text	Task Force Consideration
		<p>currently proposed amendments. The Committee was partially relieved by such exclusion.</p> <p>However, the Committee remains uneasy that a predecessor auditor who, during her prior engagement, had reached an agreement with TCWG may, upon the transition to a successor auditor, fail to distinguish the objectives of AU-C §210 from those of §250. In practice, when responding to a successor auditor’s inquiries that are qualified by “clearly inconsequential” language, she may inappropriately defer to the agreement, with respect to such threshold, that she had previously established with TCWG. As a result, the successor auditor would receive information that had been filtered by a threshold that was formed, in part, by the audit client for purposes unrelated to the objectives of AU-C §210. If these events materialized, the knowledge transfer may be impeded, thereby undercutting the SAS’s core intentions.</p> <p>To respond to the potentially undesirable effects of conflating such thresholds, the Committee recommends a warning in the application material. Specifically, it should caution that for purposes of responding to a successor auditor’s NOCLAR inquiries qualified by the “clearly inconsequential” threshold, exclusive reliance on prior agreements with TCWG, even if appropriate for previous AU-C §250.21 communications, may deprive the successor auditor of information relevant to her engagement acceptance decision. (Some in the Committee would prefer that, if the “clearly inconsequential” language is retained, certain classes of NOCLAR be presumptively declared “consequential,” such as circumstances implicating data privacy or breach notification laws, even if a relatively limited financial impact would ensue.)</p>	

NOCLAR – Summary of Comments Received on ED – September 2021
ASB Meeting, September 9, 2021

Request for Specific Comment #2			
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		Regardless, the Committee encourages the ASB to expand upon the application of this threshold. If nothing else, a simple statement comparable to paragraph 360.7 A2 of the IESBA code would be welcome. Even if PEEC continues to refrain from defining “clearly inconsequential” in the AICPA Code of Professional Conduct, the ASB’s reference to basic criteria relevant to such determination, without more, should not pose a conflict.	
Supportive with Comments	17 - Arkansas Society of CPAs	<ul style="list-style-type: none"> • Yes, proposed requirements to ask about noncompliance is appropriate and the proposal appears complete. <ul style="list-style-type: none"> ○ A decline should always be an option, and I agree with the wording stating that it should be clear the response is limited. The successor auditor can use that in determining client acceptance. • I consider the proposed requirements appropriate. I am not sure if there are legal aspects I am not considering, but I feel they should at least require some bit of disclosure on why the predecessor auditor's response is limited as it relates to the potential client. This reads to me as if they can just state their response is limited and leave it up to the successor auditor to determine why it is limited. • Yes • The ability of the predecessor to decline due to impending, threatened, or potential litigation; disciplinary proceedings; or other unusual circumstances is a necessary exception. I agree with the inclusion of the exception. 	
Supportive with Comments	19 - BDO USA LLP	Other than the items described in Appendix A of this response, we find the proposed requirements appropriate and complete. We are in favor of providing an exception that permits the predecessor auditor to either decline or limit its response to the proposed successor auditor’s inquiries due to impending, threatened, or potential litigation; disciplinary proceedings; or other unusual	

Request for Specific Comment #2 Are the proposed requirements appropriate and complete, including whether it is appropriate to continue to provide an exception that permits the predecessor auditor to decline to respond to the auditor’s inquiries due to impending, threatened, or potential litigation; disciplinary proceedings; or other unusual circumstances? If not, please suggest specific revisions to the proposals.			
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		<p>circumstances so long as the predecessor auditor clearly states that the response is limited in nature.</p>	
Supportive with Comments	21 - Mazars USA LLP	<p>We believe that an explicit requirement for the successor auditor to inquire about “identified or suspected fraud” and “matters involving noncompliance or suspected noncompliance with laws and regulation” as proposed in the Exposure Draft is appropriate, as long as the predecessor auditor is not expected to communicate matters beyond those which were communicated to management and those charged with governance during their last completed or uncompleted audit in accordance with the following standards:</p> <ul style="list-style-type: none"> • AU-C section 240 - <i>Consideration of Fraud in a Financial Statement Audit, paragraphs 39-41, Communications to Management and With Those Charged with Governance</i>, and related application material (AU-C 240). • AU-C section 250 - <i>Consideration of Laws and Regulations, paragraphs 21-23, Reporting of Identified or Suspected Noncompliance – Reporting Noncompliance to Those Charged With Governance</i>, and related application material (AU-C 250). <p>Given the potential significance of these items, which would be discoverable from a review of the predecessor auditor workpapers, assuming that such documentation was not excluded from the workpapers by the predecessor auditor, such a requirement adds focus to the relevant areas of the prior audit engagement. It also potentially expedites communication around such items between the predecessor and successor auditor, which, in instances where there are significant matters, could allow more timely client acceptance decisions,</p>	

NOCLAR – Summary of Comments Received on ED – September 2021
ASB Meeting, September 9, 2021

Request for Specific Comment #2			
Are the proposed requirements appropriate and complete, including whether it is appropriate to continue to provide an exception that permits the predecessor auditor to decline to respond to the auditor’s inquiries due to impending, threatened, or potential litigation; disciplinary proceedings; or other unusual circumstances? If not, please suggest specific revisions to the proposals.			
Type	Respondent	Coded Text	Task Force Consideration
		<p>especially in the event that the successor auditor declines to accept the engagement as a result of such matters.</p> <p>We believe that the proposed requirements should be revised to include an explicit link or reference to the predecessor auditor’s prior requirements under the applicable provisions of AU-C 240 and AU-C 250 noted above, in order to avoid any misconception that the information communicated should go beyond that which was deemed required to be communicated to those charged with governance under those standards.</p> <p>We agree with the exceptions that permit the predecessor auditor to decline to respond to the auditor’s inquiries due to impending, threatened, or potential litigation; disciplinary proceedings; or other unusual circumstances.</p>	<p>The Task Force believes that the application paragraph at .A31 provides the appropriate link/reference.</p>
Not Supportive with Comments	06 - National Association of State Boards of Accountancy	<p>The exception that allows a predecessor auditor to not respond to the successor’s inquiries due to “potential litigation” and “other unusual circumstances” leaves endless opportunities for an unprincipled and/or risk-averse auditor to avoid his or her professional responsibilities under the AICPA Auditing Standards Board June 21, 2021 proposed SAS. We suggest that when the predecessor auditor chooses this option, in addition to stating that the response is limited, he or she should provide information sufficient to allow the successor to determine the general nature for the lack of response, for example, by disclosing whether the limitation is self-imposed or imposed by the former client.</p> <p>The qualification in paragraph .13 that “such circumstances are expected to be rare” lacks specificity and imposes no specific requirement on the auditor to</p>	<p>The Task Force believes that “unprincipled and/or risk adverse” auditors would not be swayed by any requirements or guidance included in the standards. No revision is proposed.</p>

Request for Specific Comment #2			
Are the proposed requirements appropriate and complete, including whether it is appropriate to continue to provide an exception that permits the predecessor auditor to decline to respond to the auditor’s inquiries due to impending, threatened, or potential litigation; disciplinary proceedings; or other unusual circumstances? If not, please suggest specific revisions to the proposals.			
Type	Respondent	Coded Text	Task Force Consideration
		limit his or her exercise of the exception. Therefore, we believe it is highly unlikely that it would compel a predecessor auditor to cooperate with a successor. The lack of a specific requirement means State Boards will be unable to enforce this provision.	
Not Supportive with Comments	13 - Grant Thornton LLP	<p>We do not believe the proposed predecessor auditor requirements are appropriate. The predecessor auditor’s responsibilities related to the audit end with the issuance of the auditor’s report or the auditor’s dismissal, unless subsequent events or discoveries of fact necessitate reissuing the report or the auditor is otherwise involved with a report reissuance. Further, we believe that ongoing predecessor auditor responsibilities related to communicating or cooperating with successor auditors are ethical responsibilities guided by the AICPA Code and not by US GAAS.</p> <p>If the Board decides to move forward with its proposal, however, we believe it is essential to retain the exception permitting the predecessor auditor to decline to respond to the successor’s inquiries under certain circumstances. This language exists in US GAAS and is consistent with the standards of the PCAOB. We are unaware of audit quality issues indicating that predecessor auditors are inappropriately using this exception; rather, it appears that this exception is used judiciously by auditors when deemed necessary. Therefore, we believe it is most appropriate to retain the proposed exception if the Board moves forward and to further clarify the predecessor auditor’s responsibilities in the AICPA Code.</p>	The proposed standard elevates application guidance to a requirement. The elevation was discussed by the ASB and concluded that it is appropriate.
Not Supportive	23 - Moss Adams LLP	We support the efforts of the Auditing Standards Board (ASB) of the American Institute of Certified Public Accountants (AICPA) to enhance the role of CPAs in protecting the public interest, however we take considerable	See Consideration related to preceding comment by Grant Thornton LLP.

Request for Specific Comment #2			
Are the proposed requirements appropriate and complete, including whether it is appropriate to continue to provide an exception that permits the predecessor auditor to decline to respond to the auditor’s inquiries due to impending, threatened, or potential litigation; disciplinary proceedings; or other unusual circumstances? If not, please suggest specific revisions to the proposals.			
Type	Respondent	Coded Text	Task Force Consideration
with Comments		<p>exception to the extension of presumptively mandatory communications by the predecessor auditor in proposed paragraph .13 to AU-C section 210, <i>Terms of Engagement</i>.</p> <p>We do not believe it is necessary to modify generally accepted auditing standards (GAAS) to achieve the desired outcome of information exchange between a predecessor and successor auditor, even in the areas of fraud and noncompliance with laws or regulations (NOCLAR). The proposed SAS materials cite the ASB’s observation that it is unaware of significant practice issues involving predecessor auditors inappropriately limiting their response while following the extant professional standards, and its belief that the statement in the AICPA Code of Professional Conduct (Code) that members are expected to cooperate with each other helps protect against the potential of a predecessor auditor inappropriately limiting the response to the auditor’s inquiries. We agree entirely with these observations. The Code clearly states that members are expected to cooperate with each other, which we believe is well understood and followed, including in the realm of responding to successor auditor inquiries. Introducing a presumptively mandatory requirement for the predecessor auditor to respond to successor auditor inquiries (except for rare instances) attempts to address a nonexistent practice issue. In turn, the establishment of this requirement introduces numerous questions and interpretations as to what knowledge would be subject to response (further discussed in “Request for Specific Comment #2”) and potential negative impacts to clients. Thus, we strongly recommend eliminating paragraph .13 of the proposed SAS.</p>	

Request for Specific Comment #2
Are the proposed requirements appropriate and complete, including whether it is appropriate to continue to provide an exception that permits the predecessor auditor to decline to respond to the auditor’s inquiries due to impending, threatened, or potential litigation; disciplinary proceedings; or other unusual circumstances? If not, please suggest specific revisions to the proposals.

Type	Respondent	Coded Text	Task Force Consideration
		<p>Proposed paragraph .12 provides specific inquiries the successor auditor should make in the requirements section. We do not object to the inclusion of these types of inquiries, although, the scope of matters to communicate should be limited to those that relate to the financial statements, or a similar scope as what would be considered under AU-C section 250. Paragraph 12.b should be revised to reference NOCLAR other than when the matters are clearly inconsequential to the financial statements. However, if the goal of the ASB is to bring awareness to inquiries of fraud and NOCLAR that could also be effectively accomplished through enhancements to application guidance rather a new requirement for inquiries to be made.</p> <p>As stated in our introductory remarks, we suggest eliminating the proposed changes in paragraph .13 of AU-C section 210 requiring the predecessor auditor to respond to the successor auditor’s inquiries except in limited circumstances. Other than the request from the AICPA Professional Ethics Executive Committee (PPEC), it is unclear why the ASB would attempt to use GAAS to impose these requirements on a predecessor auditor. In our view this approach creates more issues than it solves. In extant GAAS, the application of GAAS requirements to a predecessor auditor focuses on items that would affect either the financial statements the predecessor auditor reported on or the predecessor auditor’s report (for example, subsequent events, subsequent discovery of facts, and reissuance of the auditor’s report). The proposed SAS would extend the predecessor auditor’s responsibilities under GAAS to apply to another auditor’s potential engagement. We are concerned this extension sets a new and unfavorable precedent.</p>	

Request for Specific Comment #2			
Are the proposed requirements appropriate and complete, including whether it is appropriate to continue to provide an exception that permits the predecessor auditor to decline to respond to the auditor’s inquiries due to impending, threatened, or potential litigation; disciplinary proceedings; or other unusual circumstances? If not, please suggest specific revisions to the proposals.			
Type	Respondent	Coded Text	Task Force Consideration
		<p>We fully support the exchange of knowledge between predecessor and successor auditors, including the expectation that the predecessor auditor responds to successor auditor inquiries to support the objective of providing the successor auditor information pertinent to their acceptance decision. However, including a presumptively mandatory requirement for the predecessor auditor to comply with successor auditor inquiries introduces unnecessary complications. The predecessor auditor should be allowed to consider facts and circumstances and determine whether and to what extent to respond to the successor’s inquiries beyond the exceptions listed in the ED. Thus, we disagree with the requirements in proposed paragraph .13 and believe they should not be imposed.</p> <p>In addition to the overall objection to paragraph .13 above, we have the following specific significant concerns related to it.</p> <p><u>Requirements for Predecessor Auditor Response Should Correlate only to the Required Audit Inquiries.</u></p> <p>Paragraph .13 of the proposed SAS advises the predecessor auditor to “respond to the auditor’s inquiries” regarding matters that will assist the auditor in determining whether to accept the engagement, establishing a requirement for a predecessor auditor to fully respond to all inquiries made by a successor auditor except in rare instances. As written, this includes all successor auditor inquiries contemplated by extant and proposed paragraph .11, made in the interest of making an acceptance decision, such as those described in the extant AU-C section 210 paragraph .A33. This greatly increases the predecessor auditor’s breadth of required response, beyond a response regarding fraud and NOCLAR.</p>	

Request for Specific Comment #2
Are the proposed requirements appropriate and complete, including whether it is appropriate to continue to provide an exception that permits the predecessor auditor to decline to respond to the auditor’s inquiries due to impending, threatened, or potential litigation; disciplinary proceedings; or other unusual circumstances? If not, please suggest specific revisions to the proposals.

Type	Respondent	Coded Text	Task Force Consideration
		<p>While we are not in favor of retaining proposed paragraph .13, the requirement to fully respond should only extend to the specific new required auditor inquiries described in paragraph .12, not to those described in extant paragraph .A33. Any requirements related to a predecessor auditor response should be very narrowly focused and directly correlate to the required inquiries of the successor auditor in paragraph .12 related to fraud and NOCLAR.</p> <p>Further, the proposed SAS indicates that circumstances in which the predecessor auditor decides not to fully respond are expected to be rare. We reiterate our support for the exchange of knowledge between predecessor and successor auditors, including responding to inquiries in support of the objective of providing the successor auditor information pertinent to their acceptance decision. However, the predecessor auditor should be allowed to consider how detailed and comprehensive a response to provide, based on the nature and extent of the successor auditor’s inquiries, the relationship with the client and management, and other factors related to the transition.</p> <p>Finally, with regard to the predecessor auditor’s response to inquiries, especially those beyond the fraud and NOCLAR inquiries, we support the reinstatement of the application guidance in extant .A32 which sets an expectation that the predecessor auditor responds to the successor auditor’s inquiries based on a member’s responsibilities outlined in the Code of Professional Conduct.</p> <p><i>Differing Thresholds.</i> As mentioned in the dissent to the proposed SAS, the proposed requirement in AU-C section 210 creates a different threshold than the</p>	

Request for Specific Comment #2			
Are the proposed requirements appropriate and complete, including whether it is appropriate to continue to provide an exception that permits the predecessor auditor to decline to respond to the auditor’s inquiries due to impending, threatened, or potential litigation; disciplinary proceedings; or other unusual circumstances? If not, please suggest specific revisions to the proposals.			
Type	Respondent	Coded Text	Task Force Consideration
		<p>one used in AU-C section 250, <i>Consideration of Laws and Regulations in an Audit of Financial Statements</i>.</p> <ul style="list-style-type: none"> • AU-C section 250 provides guidance as to the auditor’s responsibility to obtain reasonable assurance whether the financial statements are free from <i>material</i> misstatement, taking into account issues of NOCLAR, with materiality considered in the context of the financial statements and the needs of the users of the financial statements. • AU-C section 210 as proposed reduces the threshold for both identified and suspected NOCLAR to anything that is <i>more than inconsequential</i> and contemplates that parties outside of management or those charged with governance are the users of the information provided. <p>We understand that there are different objectives of these AU-C sections. AU-C section 250 helps guide an auditor during an audit engagement in evaluating the impact of NOCLAR on the financial statements. In our view, the proposed SAS creates an expectation that auditors make a secondary determination (either during the audit in contemplation of a successor, or after a successor is identified) about whether such items that are less than material are more than inconsequential, solely to achieve completeness of responses to successor auditor inquiries. We are concerned about the practice issues resulting from attempting to gather complete information to comply with the proposed requirement. The different thresholds are likely to lead to confusion, may result in incomplete responses to the inquiry, and may require additional assessment after the audit is complete to fully respond to the inquiry.</p>	

Request for Specific Comment #2			
Are the proposed requirements appropriate and complete, including whether it is appropriate to continue to provide an exception that permits the predecessor auditor to decline to respond to the auditor’s inquiries due to impending, threatened, or potential litigation; disciplinary proceedings; or other unusual circumstances? If not, please suggest specific revisions to the proposals.			
Type	Respondent	Coded Text	Task Force Consideration
		<p><u>Suspected Fraud or NOCLAR.</u> Requiring the predecessor to respond about <i>suspected</i> fraud or NOCLAR is likely to result in diversity in practice. Determining what constitutes a suspected instance of fraud or NOCLAR requiring communication to the successor auditor is dependent on individual interpretation. We foresee practice issues related to consistently determining what ‘suspected’ means. Further, as noted in our comment ‘Client Informed Consent and Awareness’, with the proposed SAS it is possible the predecessor auditor may be required to communicate suspected fraud or NOCLAR to a successor auditor that had not been communicated to management or those charged with governance.</p> <p><u>Time Period Covered.</u> It is unclear what time period is subject to the successor auditor’s inquiries. If identified or suspected fraud or NOCLAR occurred prior to the most recent period audited by the predecessor auditor, would those be subject to disclosure to the successor auditor? Alternatively, if a predecessor auditor became aware of identified or suspected fraud or NOCLAR after issuing the report and concluded there was no material impact to the financial statements they audited, would such instances be subject to disclosure to the successor auditor?</p> <p><u>Scope of Matters Known to the Firm, Pertaining to the Financial Statements, or Resulting from the Audit Engagement.</u> It is unclear whether the proposed SAS requires the predecessor auditor to communicate:</p> <ul style="list-style-type: none"> • all identified and suspected instances of fraud or NOCLAR known by the entire firm 	

Request for Specific Comment #2 Are the proposed requirements appropriate and complete, including whether it is appropriate to continue to provide an exception that permits the predecessor auditor to decline to respond to the auditor’s inquiries due to impending, threatened, or potential litigation; disciplinary proceedings; or other unusual circumstances? If not, please suggest specific revisions to the proposals.			
Type	Respondent	Coded Text	Task Force Consideration
		<ul style="list-style-type: none"> • only those that may have an impact on the financial statements or • only those that arose from the audit engagement. <p>The proposed PEEC exposure draft, <i>Responding to Noncompliance With Laws and Regulations</i>, provides requirements for members providing nonattest services for a financial statement attest client to inform the attest engagement partner of identified or suspected NOCLAR. Thus, the audit engagement partner would have knowledge of identified or suspected fraud or NOCLAR beyond what was identified in the audit. For example, there may be instances when a client hires the audit firm to perform nonattest work related to regulatory compliance. If the findings of noncompliance resulting from such an engagement have no direct or indirect material impact on the financial statements but are more than inconsequential, it is unclear if they would be required to be communicated to the successor auditor. Depending on what is intended, this may create significant practice issues in gathering the information to communicate, as well as inhibiting the nonattest services a client invites its financial statement audit firm to provide.</p> <p>If the intended scope of matters to communicate are only those that relate to the financial statements, paragraph 12.b should be revised to reference NOCLAR other than when the matters are clearly inconsequential to the financial statements.</p> <p><u><i>Client Informed Consent and Awareness.</i></u> We question what education or counsel a successor auditor has the duty to provide management and those charged with governance when requesting their authorization for the</p>	

Request for Specific Comment #2

Are the proposed requirements appropriate and complete, including whether it is appropriate to continue to provide an exception that permits the predecessor auditor to decline to respond to the auditor’s inquiries due to impending, threatened, or potential litigation; disciplinary proceedings; or other unusual circumstances? If not, please suggest specific revisions to the proposals.

Type	Respondent	Coded Text	Task Force Consideration
		<p>predecessor auditor to respond to the inquiries contemplated in the proposed SAS. Management and those charged with governance may not be fully aware of the expanded inquiries to include identified and suspected fraud and NOCLAR, at a lower threshold than they may have been informed of in connection with the audit, when authorizing a predecessor to respond to the auditor’s inquiries.</p> <p>It is also unclear what the predecessor auditor’s duty is to management regarding matters communicated to the successor auditor. Under the proposed SAS the successor auditor is required to inquire about identified or suspected NOCLAR other than when matters are clearly inconsequential. If the predecessor auditor was aware of identified or suspected NOCLAR but concluded it did not have a material impact to the financial statements, it is possible that management and those charged with governance may not be aware of the issue. This raises an additional practice issue regarding whether to inform management and those charged with governance when the predecessor auditor discloses NOCLAR to the successor not previously disclosed to the client.</p>	

NOCLAR – Summary of Comments Received on ED – September 2021
ASB Meeting, September 9, 2021

Request for Specific Comment #3			
Is the proposed requirement appropriate and complete? If not, please suggest specific revisions.			
Type	Respondent	Coded Text	Task Force Consideration
Supportive	02 - Michigan Office of the Auditor General	Response: We agree that the auditor should document inquires with the predecessor auditor as required in paragraph 15 as it provides proof that such communication was made and received and serves as evidence of why subsequent actions may have been taken.	√
Supportive	03 - U.S. Government Accountability Office	We believe that the proposed requirement in paragraph 15 is appropriate and complete. Paragraph 15 states that the auditor should document its inquiries and the results of those inquiries with the predecessor auditor. In our view, such audit documentation constitutes the principal record of the work performed in accordance	√
Supportive	04 - Tennessee Department of Audit	We agree that the proposed documentation requirement in ¶15 is appropriate and complete.	√
Supportive	05 - National State Auditor's Association	We agree that the proposed documentation requirement in paragraph 15 is appropriate and complete.	√
Supportive	06 - National Association of State Boards of	We agree with the proposed requirement that the auditor should document its inquiries and the results of those inquiries with the predecessor auditor.	√
Supportive	07 - Ernst & Young LLP	Yes, we believe the requirement in paragraph 15 of the proposed SAS is appropriate and complete.	√
Supportive	08 - PCPS Technical Issues Committee	TIC believes the requirement for the successor auditor to document its inquiries and the results of the inquiries with the predecessor auditor is appropriate.	√
Supportive	09 - Virginia Society of CPAs	Yes, the proposed requirement is appropriate and complete.	√

NOCLAR – Summary of Comments Received on ED – September 2021
ASB Meeting, September 9, 2021

Request for Specific Comment #3			
Is the proposed requirement appropriate and complete? If not, please suggest specific revisions.			
Type	Respondent	Coded Text	Task Force Consideration
Supportive	10 - California Society of CPAs	Yes, we believe the proposed requirements are appropriate and complete. The Board may consider providing additional guidance on defining the terms “suspected fraud” or “suspected noncompliance with laws and regulations.”	The Task Force concluded that no further guidance is necessary with respect to “suspected” fraud and NOCLAR as “suspected” requires no level of
Supportive	11 - Deloitte & Touche LLP	Yes. D&T believes the documentation requirements in the proposed amended SAS are clear and appropriate.	√
Supportive	15 - Florida Institute of CPAs	The Committee believes the documentation requirement is appropriate but does not comment as to whether it is complete.	√
Supportive	16 - CAMICO Insurance	Yes, the requirement that auditors document the responses to their inquiries of predecessor auditors is appropriate.	√
Supportive	17 - Arkansas Society of CPAs	<ul style="list-style-type: none"> • Proposed requirement for documentation appears appropriate and complete. • Proposed requirement is appropriate and complete. • Yes • The proposed requirement concerning the documentation of inquiry and results from discussions with the predecessor auditor is appropriate and complete, with modification being unnecessary. 	√
Supportive	18 - Montana Legislative Audit Division	Members of our staff have read the proposed draft and are in agreement with all four of the requests for specific comment.	√

NOCLAR – Summary of Comments Received on ED – September 2021
ASB Meeting, September 9, 2021

Request for Specific Comment #3			
Is the proposed requirement appropriate and complete? If not, please suggest specific revisions.			
Type	Respondent	Coded Text	Task Force Consideration
Supportive	21 - Mazars USA LLP	We believe that the proposed requirement for the successor auditor to “document its inquiries and the results of those inquiries with the predecessor auditor” are appropriate and complete. We do not believe that a more prescriptive requirement is necessary as the successor auditor should be able to apply judgement as to the extent of their documentation.	√
Supportive	22 - PricewaterhouseCoopers LLP	Yes. The documentation requirement in paragraph .15 of the proposed SAS is appropriate and complete.	√
Supportive with Comments	01 - KPMG LLP	<p>We believe that clarification of the documentation requirement, as described in paragraph 15 is needed to allow for an auditor to comply. Specifically, it is not clear whether the auditor is required to document and retain the results of its inquiries only if the engagement is ultimately accepted, or if the proposed change would require that documentation even if the engagement is declined. There is no existing guidance on maintaining documentation for a proposal that does not become an engagement, and we believe that is outside the scope of the auditing standards. As such, we recommend limiting this requirement to retaining documentation of the inquiries and results in scenarios where the auditor accepts the engagement. Specifically, we recommend the following (edits are noted in bold underline):</p> <p>.15 The auditor should document its inquiries and the results of those inquiries with the predecessor auditor <u>and include as part of the audit documentation if the engagement is accepted.</u></p>	Agreed – edit made to draft standard.

NOCLAR – Summary of Comments Received on ED – September 2021
ASB Meeting, September 9, 2021

Request for Specific Comment #3			
Is the proposed requirement appropriate and complete? If not, please suggest specific revisions.			
Type	Respondent	Coded Text	Task Force Consideration
Supportive with Comments	14 - CliftonLarsonAllen LLP	We agree that the proposed requirement is appropriate and will not be a significant change to current practice. We suggest the ASB consider providing additional guidance to clarify whether this requirement applies when the auditor does not accept the engagement.	Agreed – see Task Force consideration pursuant to preceding comment.
Supportive with Comments	19 - BDO USA LLP	With respect to paragraph .15 of the proposed SAS, we propose adding clarification or linkage to the incremental documentation requirement in paragraph .30 of proposed ET sec. 1.170.010, Responding to Noncompliance With Laws and Regulations in the AICPA Professional Ethics Division’s Exposure Draft (dated February 25, 2021) in instances of identified or suspected fraud and matters involving NOCLAR resulting from the auditor’s inquiries of the predecessor auditor.	The Task Force does not believe that a link to the proposed revision to ET sec. 1.170.010 is necessary.
Supportive with Comments	20 - Texas Society of CPAs	The proposed requirements appear to be formalizing what is already best practice concerning communications with the predecessor auditor. The PSC thinks this proposal is an appropriate action of the ASB in continued efforts to enhance audit quality. However, we would like to reiterate that suspicions of fraud and/or noncompliance are issues between the auditor and management and not appropriate to require the predecessor auditor to disclose suspicions to the successor auditor that are not supported with evidence, in which case they should be documented in the audit workpapers. The PSC also thinks that it is appropriate to address this issue separately from the currently pending exposure draft issued by the AICPA PEEC. The Auditing Standards are the appropriate place to require documented communications between the predecessor and successor auditor.	√
Supportive with Comments	23 - Moss Adams LLP	We support the proposed documentation requirement in paragraph .15. However, the proposed SAS is not clear how the documentation requirement would apply if the inquiring auditor ultimately concludes not to engage. We recommend that paragraph .15 state an exception to the requirement to retain such documentation if the auditor does not engage.	See proposed revision to paragraph .15.

NOCLAR – Summary of Comments Received on ED – September 2021
ASB Meeting, September 9, 2021

Request for Specific Comment #3			
Is the proposed requirement appropriate and complete? If not, please suggest specific revisions.			
Type	Respondent	Coded Text	Task Force Consideration
Not Supportive with Comments	13 - Grant Thornton LLP	<p>We found the proposed documentation requirement to be potentially duplicative and unnecessary. We believe AU-C Section 230, Audit Documentation, sufficiently addresses the successor auditor’s responsibilities to appropriately document the results of inquiries made of the predecessor auditor.</p> <p>Further, the Board may need to reconsider the predecessor auditor’s documentation responsibilities considering the new US GAAS requirements that would be imposed on the predecessor auditor by the Proposed SAS. If US GAAS requires the predecessor auditor to respond to the successor auditor’s inquiries and the successor auditor documents the results of these inquiries, we would expect that the predecessor auditor would also need to retain documentation of their responses to the successor auditor’s inquiries.</p> <p>If the Board elects to adopt the proposed requirement, we recommend that the term “its” be replaced with “the” or “the auditor’s” in the proposal for clarity. We believe it is inconsistent with clarity drafting conventions to refer to the auditor as “it.”</p>	Agreed – edit made.

NOCLAR – Summary of Comments Received on ED – September 2021
ASB Meeting, September 9, 2021

Request for Specific Comment #4			
Are respondents supportive of the proposed effective date? If you are not supportive, please provide reasons for your response.			
Type	Respondent	Coded Text	Task Force Consideration
Supportive	01 - KPMG LLP	Response: We are supportive of the proposed effective date. The proposed SAS is sufficiently narrow such that a longer transition period is not necessary.	√
Supportive	02 - Michigan Office of the Auditor General	Response: Yes, we agree with the proposed effective date of periods ending on or after December 15, 2022, as it will allow the necessary preparation to amend any engagement letters.	√
Supportive	03 - U.S. Government Accountability Office	We believe that the proposed effective date for audits of financial statements for periods ending on or after December 15, 2022, would provide sufficient time for preparers, auditors, and others to adopt the new standard and related conforming amendments.	√
Supportive	04 - Tennessee Department of Audit	We agree with the proposed effective date.	√
Supportive	05 - National State Auditor's Association	We are supportive of the proposed effective date.	√
Supportive	06 - National Association of State Boards of Accountancy	Yes. We are supportive of the proposed effective date.	√
Supportive	07 - Ernst & Young LLP	Yes, we believe the proposed effective date provides sufficient time for auditors to implement these changes	√

NOCLAR – Summary of Comments Received on ED – September 2021
ASB Meeting, September 9, 2021

Request for Specific Comment #4			
Are respondents supportive of the proposed effective date? If you are not supportive, please provide reasons for your response.			
Type	Respondent	Coded Text	Task Force Consideration
Supportive	08 - PCPS Technical Issues Committee	TIC believes the proposed effective date for audits of financial statements for periods ending on or after December 15, 2022 is appropriate if ASB decides to move forward with issuance of these proposed changes.	√
Supportive	09 - Virginia Society of CPAs	Yes, the proposed effective date is reasonable.	√
Supportive	10 - California Society of CPAs	Yes, we believe the effective date for audits of financial statements for periods ending on or after December 15, 2022 is appropriate.	√
Supportive	11 - Deloitte & Touche LLP	Yes. D&T is supportive of the proposed effective date.	√
Supportive	12 - Crowe LLP	Yes, we are supportive of the proposed effective date for audits of financial statements for periods ending on or after December 15, 2022, with early implementation permitted.	√
Supportive	15 - Florida Institute of CPAs	The Committee supports the proposed effective date.	√
Supportive	16 - CAMICO Insurance Company	Yes. Being effective on or after December 15, 2022, is appropriate.	√
Supportive	18 - Montana Legislative Audit Division	Members of our staff have read the proposed draft and are in agreement with all four of the requests for specific comment.	√

NOCLAR – Summary of Comments Received on ED – September 2021
ASB Meeting, September 9, 2021

Request for Specific Comment #4			
Are respondents supportive of the proposed effective date? If you are not supportive, please provide reasons for your response.			
Type	Respondent	Coded Text	Task Force Consideration
Supportive	20 - Texas Society of CPAs	The PSC is supportive of the proposed effective date.	√
Supportive	22 - PricewaterhouseCoopers LLP	Yes. Given that the proposed SAS includes narrow scope amendments that we do not expect will substantially change current practice, we are supportive of the proposed effective date.	√
Supportive - with comments	14 - CliftonLarsonAllen LLP	Given the limited impact on practice, we are supportive of the proposed effective date. We do request the ASB evaluate the significant number of standards that are planned to become effective in the next two years (risk assessment, estimates, quality management, etc.) and consider deferring the proposals for all of the audit standards until after the quality management standards are implemented to allow firms sufficient time to focus on training and implementation of all of the new standards.	√

NOCLAR – Summary of Comments Received on ED – September 2021
ASB Meeting, September 9, 2021

Request for Specific Comment #4			
Are respondents supportive of the proposed effective date? If you are not supportive, please provide reasons for your response.			
Type	Respondent	Coded Text	Task Force Consideration
Supportive with Comments	17 - Arkansas Society of CPAs	<ul style="list-style-type: none"> • Proposed effective date for periods ending on or after December 15, 2022 (with early adoption permitted) appears appropriate. <ul style="list-style-type: none"> ○ If I were to make any suggestion it would be to move the effective date up, but that may not be practical. <ul style="list-style-type: none"> • I suggest moving up because discussion between a predecessor and successor auditor is already required so the additional guidance and clarity in this exposure draft should not create a lot of additional work, time or logistical considerations once the guidance is in place and this knowledge sharing seems very important and critical for making informed decisions. • Proposed effective date is appropriate. • Yes • I am supportive of the proposed effective date, as long as the publication of the PEEC document in the Journal of Accountancy occurs in sufficient time to allow the PEEC to be effective prior to this ASB requirement. 	√
Supportive with Comments	19 - BDO USA LLP	<p>We are supportive of the proposed effective date; however, we would like to highlight that early implementation presents challenges in practice given that the proposed SAS establishes new requirements for both the successor and predecessor auditor. An effective early implementation of the standard would require both parties to comply with the new requirements. Therefore, we suggest that early implementation should not be permitted. We also recommend that consideration be given as to whether there are aspects to the AICPA Professional Ethics Division’s proposed NOCLAR interpretation that would require coordination of the effective dates of the revised SAS and new ethics standard.</p>	√

NOCLAR – Summary of Comments Received on ED – September 2021
ASB Meeting, September 9, 2021

Request for Specific Comment #4 Are respondents supportive of the proposed effective date? If you are not supportive, please provide reasons for your response.			
Type	Respondent	Coded Text	Task Force Consideration
Not Supportive with Comments	21 - Mazars USA LLP	Response: No, we believe that effective date provisions, as written, could have unintended consequences. In certain situations, auditors be engaged more than a year in advance of the period close date. We suggest that there be a waiver of complying with the new requirements in those situations where predecessor auditor procedures are already in progress or complete.	The Task Force concluded that the proposed effective date is appropriate and consistent with the proposed effective date of the revisions to the Code of Professional Conduct.
Not Supportive with Comments	23 - Moss Adams LLP	As the inquiries addressed in paragraph .12 of the proposed SAS are setting new requirements for the successor auditor, firms and quality control materials (QCM) providers will have to incorporate these inquiries (and related documentation) into their QCM. Firms that rely on external resource providers may be challenged to apply the new requirements in time to comply with the proposed effective date, and this may depend heavily on the cycle of updates by	√
No Comment	13 - Grant Thornton LLP	Due to our reservations with the proposed revisions, as discussed in our responses herein, we do not have a specific comment on the proposed effective date. However, we ask the Board to work closely with the Professional Ethics Executive Committee (PEEC) on this topic to coordinate efforts and to help inform PEEC’s potential updates to the AICPA Code regarding this topic. Refer to our firm’s response letter to PEEC’s Proposed Interpretations and Definition, “Responding to Noncompliance with Laws and Regulations.”	√

NOCLAR – Summary of Comments Received on ED – September 2021
ASB Meeting, September 9, 2021

Paragraph Specific Comments			
Para.	Respondent	Coded Text	Task Force Consideration
11	19 - BDO USA LLP	<p>The first bullet point in paragraph .11 of the proposed SAS establishes requirements for the auditor to perform procedures required in paragraphs .12 – .13; however, paragraph .13 establishes specific requirements that are applicable to the predecessor auditor as opposed to the proposed successor auditor. Therefore, we believe that the requirements directed at the auditor in the first bullet point in paragraph .11 should be limited to paragraph .12 only.</p> <p>The suggested revision to paragraph .11 is as follows:</p> <ul style="list-style-type: none"> • <i>if management authorizes the predecessor auditor to respond to the auditor’s inquiries, perform the procedures required in paragraphs. .12–13</i> 	Agreed – edit made to draft standard.
11	23 - Moss Adams LLP	<p>We provide the following additional comment on the proposed SAS for your consideration. The grammatical construct of paragraph .11 is not parallel in the bullets that follow. In the first bullet, the “should” in the first part of the sentence dictates both requirements. In the second bullet, there is an additional “should” within the bullet. We raise it for your consideration. Our suggestion is to remove “the auditor should” in the second bullet if the “should” in the first part of the sentence (italicized here) is designed to apply to “inquire about the reasons.</p> <p><i>...the auditor should request management to authorize the predecessor auditor to respond... and</i></p> <ul style="list-style-type: none"> • if management authorizes the predecessor auditor to respond to the auditor’s inquiries, <u>perform the procedures</u> required in paragraphs. .12–.13 • if management refuses to authorize the predecessor auditor to respond, or limits the response, <u>the auditor should inquire about the reasons</u> and consider the implications of that refusal or limitation in deciding whether to accept the engagement. 	Disagree – no edit proposed.
12	06 - National Association of State	Other Matters: We offer the following additional comments on the proposed SAS for the ASB’s consideration:	

NOCLAR – Summary of Comments Received on ED – September 2021
ASB Meeting, September 9, 2021

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	Boards of Accountancy	<p>Paragraph .12 provides that the successor auditor should “inquire of the predecessor auditor about matters that will assist the auditor in determining whether to accept the engagement including:</p> <ul style="list-style-type: none"> a. identified or suspected fraud involving <ul style="list-style-type: none"> i. management, ii. employees who have significant roles in internal control, or iii. others, when the fraud resulted in a material misstatement in the financial statements. b. Matters involving noncompliance or suspected noncompliance with laws and regulations that came to the predecessor auditor’s attention during the audit, other than when matters are clearly inconsequential.” <p>A successor auditor bases decisions for accepting a new audit client (in part) on knowledge about NOCLAR (including instances of fraud), whether such instances are material or immaterial. Even immaterial matters of NOCLAR (especially fraud) could influence a successor auditor’s decision of whether or not to accept a client. We also note that frauds are often committed by employees who have had little or nothing to do with internal controls.</p> <p>Paragraph b. refers to matters that are “clearly inconsequential.” We recommend adding the qualifying language from the IESBA standard: “Whether a matter is clearly inconsequential is to be judged with respect to its nature and its impact, financial or otherwise, on the client its stakeholders, and the general public.” We suggest the word clearly be removed; the definition of inconsequential is “of no significance” so, the word clearly is not relevant.</p>	The Task Force considered and determined to not add the proposed additional language.

NOCLAR – Summary of Comments Received on ED – September 2021
ASB Meeting, September 9, 2021

Paragraph Specific Comments			
Para.	Respondent	Coded Text	Task Force Consideration
A31	07 – Ernst & Young LLP	<p>We recommend the following revision to clarify that the inquiries are consistent with the matters that the predecessor auditor is required to communicate with those charged with governance:</p> <p>The inquiries specified in paragraph .12a–b are consistent with items that the predecessor auditor are communicated with those charged with governance as required by paragraph .40 of AU-C section 240, Consideration of Fraud in a Financial Statement Audit, and paragraph .21 of AU-C section 250, Consideration of Laws and Regulations in an Audit of Financial Statements, respectively.</p>	Agreed – edit made to draft standard.
13 and A34	11 - Deloitte & Touche LLP	<p>We recommend that paragraphs .13 and .A34 be revised to remove the statement that “circumstances when a predecessor auditor’s response would be limited would be rare.” Regardless of whether the circumstances are rare, if they exist, then the predecessor auditor may decide to limit their response. We do not believe it is necessary to state the frequency of when a predecessor auditor may limit their responses because it is inherent to the nature of the circumstances described.</p> <p>.13 If, pursuant to paragraph .11, management authorizes the predecessor auditor to respond to the auditor’s inquiries regarding matters that will assist the auditor in determining whether to accept the engagement, the predecessor auditor should respond to the auditor’s inquiries on a timely basis and, on the basis of known facts, unless prohibited by applicable law. However, when the predecessor auditor decides, due to impending, threatened, or potential litigation; disciplinary proceedings; or other unusual circumstances, not to fully respond to the auditor’s inquiries, the predecessor auditor should clearly state that the response is limited. Such circumstances are expected to be rare. (Ref: par. .A33–.A35)</p> <p>.A34 Before responding to the auditor’s inquiries made pursuant to paragraph .12, the predecessor auditor may consider it appropriate to obtain legal advice to determine whether any professional or legal requirements or unusual circumstances</p>	The issue was considered by the ASB prior to exposure and the Task Force believes is appropriate.

NOCLAR – Summary of Comments Received on ED – September 2021
ASB Meeting, September 9, 2021

Paragraph Specific Comments			
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		may limit the predecessor auditor’s ability to respond. If, due to impending, threatened, or potential litigation; disciplinary proceedings; or other unusual circumstances, the predecessor auditor does not fully respond to the auditor’s inquiries, pursuant to paragraph .13 the predecessor auditor is required to clearly state that the response is limited. Such circumstances are expected to be rare.	
13 and .A34	19 - BDO USA LLP	<p>The last two sentences in paragraph .A34 are substantially the same as the last two sentences in paragraph .13 of the proposed SAS. To address the redundancy in these two paragraphs, we recommend:</p> <ul style="list-style-type: none"> a) deleting the second sentence in paragraph .A34 that begins with “[i]f, due to impending, threatened, or potential litigation; ...” and retaining the corresponding sentence in paragraph .13; and b) deleting the last sentence in paragraph .13, which states “[s]uch circumstances are expected to be rare” as the sentence seems unnecessary, particularly in the requirement section. Paragraph .13 of the proposed SAS seems sufficiently clear without this last sentence as to the limited or unusual circumstances in which the predecessor auditor may not fully respond to the auditor’s inquiries. Alternatively, we suggest reiterating this point in paragraph .A34. <p>The following section reflects these proposed changes, including one additional editorial change:</p> <p><i>.13 If, pursuant to paragraph .11, management authorizes the predecessor auditor to respond to the auditor’s inquiries regarding matters that will assist the auditor in determining whether to accept the engagement, the predecessor auditor should respond to the auditor’s inquiries on a timely basis and, on the basis of known facts, unless prohibited by applicable law. However, when if the predecessor auditor decides, due to impending, threatened, or potential litigation; disciplinary</i></p>	Agreed-edit made to standard.

NOCLAR – Summary of Comments Received on ED – September 2021
ASB Meeting, September 9, 2021

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		<p><i>proceedings; or other unusual circumstances, not to fully respond to the auditor’s inquiries, the predecessor auditor should clearly state that the response is limited. Such circumstances are expected to be rare. (Ref: par. .A33–.A35)</i></p> <p><i>.A34 Before responding to the auditor’s inquiries made pursuant to paragraph .12, the predecessor auditor may consider it appropriate to obtain legal advice to determine whether any professional or legal requirements or unusual circumstances may limit the predecessor auditor’s ability to respond. If, due to impending, threatened, or potential litigation; disciplinary proceedings; or other unusual circumstances, the predecessor auditor does not fully respond to the auditor’s inquiries, pursuant to paragraph .13 the predecessor auditor is required to clearly state that the response is limited. Such circumstances are expected to be rare.</i></p>	
A35	01 - KPMG LLP	<p>Other recommendations: 1- Paragraph A35 provides conditions before the predecessor auditor may be available to respond to inquiries. These conditions include (a) the auditor being selected by the entity and (b) the auditor planning to accept the engagement, subject to inquiries with the predecessor auditor. We propose revisions to paragraph A35 because it is unlikely that a predecessor auditor knows the status of the potential successor auditor’s engagement acceptance process, or that the only barrier to acceptance is the results of these inquiries. Specially, we recommend the following (deleted text is noted in strikethrough):</p> <p>A35 When more than one auditor is considering accepting an engagement, the predecessor auditor is not expected to be available to respond to inquiries until an auditor has been selected by the entity and plans to accepted the engagement, subject to the evaluation of the communications with the predecessor auditor as provided in paragraph 14.</p>	Agreed – edit made to draft standard.

NOCLAR – Summary of Comments Received on ED – September 2021
ASB Meeting, September 9, 2021

Paragraph Specific Comments

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A35	07 - Ernst & Young LLP	<p>We recommend the following revision to clarify the party that plans to accept the engagement:</p> <p>When more than one auditor is considering accepting an engagement, the predecessor auditor is not expected to be available to respond to inquiries until an auditor has been selected by the entity and that auditor plans to accept the engagement, subject to the evaluation of the communications with the predecessor auditor as provided in paragraph .14.</p>	Not necessary due to revision made pursuant to preceding comment.