

February 6, 2020

Attn: CommentLetters@aicpa-cima.com

Re: Amendments to AU-C Sections 725, 730, 930, 935, and 940

The views expressed herein are written on behalf of the Professional Standards Committee (PSC) of the Texas Society of CPAs. The PSC has been authorized by the Texas Society of CPAs' Board of Directors to submit comments on matters of interest to the membership. The views expressed in this document have not been approved by the Texas Society of CPAs' Board of Directors or Executive Board and, therefore, should not be construed as representing the views or policy of the Texas Society of CPAs. Please find our responses below to the amendments proposed in the above-referenced exposure draft.

Request for Comment Specific to AU-C Section 930:

1. Are the proposed amendments to AU-C section 930 appropriate and complete?

Response:

We have no objections to the proposed amendments for AU-C 930 and believe the amendments are appropriate and complete.

2. Should the reporting requirements in paragraph .31 include revisions for harmonization with the requirements in PCAOB AS 4105, including the placement of the auditor's review conclusion at the beginning of the review report on interim financial information?

Response:

We agree that it is appropriate to place the auditor's review conclusion at the beginning of the review report.

3. Do you agree with aligning the dating requirement to be consistent with that of PCAOB AS 4105 and AR-C section 90?

Response:

We agree with aligning the dating requirement with AR-C 90 and PCAOB AS 4105.

Request for Comment Specific to AU-C Section 935:

1. Are the proposed amendments to the appendix appropriate and complete, including the proposed amendments to be consistent with current government requirements? If not, please suggest specific revisions.

Response:

We agree with the proposed amendments to the appendix and that the proposed amendments are consistent with current government requirements.

2. Do you agree with how the combined report and the separate reports are addressed in the standard? If not, please suggest specific revisions.

Response:

As long as an option remains available to issue separate reports, we agree with how reports are addressed in the proposed amendments.

Request for Comment Specific to AU-C Section 940:

1. Are the proposed amendments to AU-C section 940 appropriate and complete?

Response:

In general, we believe the proposed amendments to AU-C section 940 are appropriate, with additional comments listed below.

2. Do you agree with the proposed:

a. amendment to require a statement in the "Auditor's Responsibilities for the Audit of ICFR" section that states internal control over financial reporting is not effective if a material weakness exists?

Response:

We request that additional guidance or clarification be provided in the amendment regarding the definition of a material weakness. Drawing a hard line in the standard might result in possible legal repercussions, since determination of material weakness is the professional determination of the auditor. The more narrow the definition, the higher the likelihood of possible legal liability for the auditor. The current practice is working well and should not be altered.

b. placement of the paragraphs when issuing a separate report on ICFR as required by the proposed amendments to paragraph .65?

Response:

We are of the opinion that the content of the paragraph is more important than its placement in the report.

c. placement of the paragraphs when issuing an adverse opinion on ICFR due to a material weakness as required by the proposed amendments to paragraph .69?

Response:

Again, we are more concerned with content of the report on ICFR rather than placement of the opinion paragraph.

d. amendments to paragraph .80 for reporting when additional information is included in management's report or in a report that includes management's report and the auditor's report?

Response:

We believe that either approach for reporting additional information is satisfactory.

We appreciate the clarification provided in the revised illustrative auditor's reports for AU-C Section 910 that was revised for consistency with SAS 134.

Additionally, we would like to point out a typographical error noted on p.85 in the proposed amendments:

"Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of financial statements or an audit of internal control over financial reporting conducted in accordance with GAAS will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements."

We appreciate the opportunity to provide input into the standards-setting process.

Sincerely,

A handwritten signature in cursive script, appearing to read "Ken Sibley".

Ken Sibley, CPA

Chair, Professional Standards Committee

Texas Society of Certified Public Accountants