



Ms. Sherry Hazel  
Audit and Attest Standards  
American Institute of Certified Public Accountants  
1211 Avenue of the Americas  
New York, NY 10036-8775

October 13, 2016

**RE: Proposed Statement on Auditing Standards, *Auditor Involvement With Exempt Offering Documents***

Dear Ms. Hazel:

We appreciate the opportunity to comment on the Proposed Statement on Auditing Standards, *Auditor Involvement With Exempt Offering Documents* (the "Proposed SAS"). We are supportive of the Proposed SAS and believe it will help to clarify what actions constitute involvement with an exempt offering and the auditor requirements with respect to such offerings.

We have responded to the specific questions related to the Proposed SAS and offer the following suggestions for the Auditing Standards Board's (ASB) consideration in finalizing the Proposed SAS for issuance.

**Issues for consideration**

*Issue 1: Provide feedback on the types of offerings included in the scope of the standard, specifically whether franchise offerings should be included in the scope of the Proposed SAS.*

We agree with the types of offerings included in the scope of the Proposed SAS, including franchise offerings.

*Issue 2: Provide feedback on (a) whether the activities that have been identified in the Proposed SAS should trigger involvement and (b) whether additional activities should be considered as triggers for involvement.*

We agree with the activities identified in the Proposed SAS that trigger involvement and we do not believe any additional activities should be considered as triggers for involvement. See our comment below related to signing a copy of the auditor's report asking for additional clarification related to this point.

*Issue 3: Provide feedback regarding the proposed requirement for subsequent event procedures to be performed when the auditor is deemed involved with an exempt offering document.*

We agree with the proposed requirement for subsequent event procedures to be performed when the auditor is deemed involved with an exempt offering document. We believe the requirement will support the objective of the Proposed SAS related to the credibility of the audited financial statements or interim financial information and the related auditor's report.



### Additional comments

#### **Incorporating information from AU-C 925, *Filings With the U.S. Securities and Exchange Commission Under the Securities Act of 1933* (“AU-C section 925”)**

In AU-C section 925, Exhibit A discusses two matters pertaining to offerings other than Securities Act of 1933 registration statements: references to the auditor as an expert (par. 16-18); and letters similar to consents (par. 19-20). Similarly, Exhibit B contains two illustrations related to exempt offerings. For the most part, this guidance is either replicated or referenced in the Proposed SAS. Accordingly, we recommend all guidance related to exempt offerings be deleted from AU-C section 925 and instead be included in the Proposed SAS.

#### **Objective**

Under the Proposed SAS, an auditor who is deemed to be involved performs two types of procedures: the procedures similar to AU-C section 720, *Other Information in Documents Containing Audited Financial Statements* (“AU-C section 720”), and those similar to AU-C section 560, *Subsequent Events and Subsequently Discovered Facts* (“AU-C section 560”). The objective articulated in paragraph 4 only appears to address the AU-C section 720 procedures performed on the offering document. We suggest paragraph 4 be clarified to make reference to both the procedures related to AU-C section 560 and AU-C section 720. We also note the use of the word “determine” may imply a different threshold than what is envisaged by AU-C section 720. We therefore suggest the following amendments to paragraph 4 (new language in **boldface italics**; deleted text is in ~~strike through~~):

4. The objectives of the auditor when involved with an exempt offering document ~~is to perform procedures specified in this SAS to determine whether~~ **are to respond appropriately:**
  - a. ***When the auditor becomes aware that*** the information included in the offering document could undermine the credibility of the financial statements and the auditor’s report thereon ~~and respond appropriately;~~ **and**
  - b. ***To facts that become known to the auditor after the date of the auditor’s report that, had they been known to the auditor at that date, may have caused the auditor to revise the auditor’s report.***

As the words in this objective are directly aligned, in part, to the objective in AU-C section 720, we are of the view a conforming amendment to this Proposed SAS will be necessary when the amendments to AU-C section 720 are finalized.

#### **Voluntary association**

Paragraph A2 provides application guidance in situations where an auditor is associated with the offering document as a condition of the terms of the engagement. As written, the second sentence of the paragraph might be misinterpreted to mean the requirements of the Proposed SAS are not applicable unless the auditor also performs one or more of the activities in 8b, as the second sentence discusses that the engagement letter does not establish involvement unless the auditor is engaged to perform one or more of the activities in paragraph 8b. We do not believe this was the ASB’s intention, and suggest the second



sentence be deleted or clarified. If the ASB believes the second sentence does not need to be clarified, we would prefer the entire paragraph be deleted.

### **Participating in due diligence discussions**

In the third sentence of paragraph A13, we recommend making the word 'controls' singular in the phrase "...and the entity's system of internal controls over financial reporting."

### **Signing an auditor's report in connection with a specific offering document**

The discussion in paragraph A17 does not provide a clear message with respect to situations where providing an original or manual signature in connection with a specific offering document would constitute involvement. We are concerned that, unless this guidance is clarified, practitioners will interpret it in different ways. If the auditor's report has not changed but a signature is needed, we believe this would not be involvement. However, if the auditor's report has changed in any way then we believe it would be considered involvement, as the changes in the auditor's report are in response to the offering document. As a result, we recommend the paragraph be updated to reflect this intent.

\* \* \* \* \*

We appreciate the opportunity to express our views and would be pleased to discuss our comments or answer any questions you may have. Please contact Leonard L. Combs at (973) 236-5265 or Martha Garner at (973) 236-7294 regarding our submission.

Sincerely,

*PricewaterhouseCoopers LLP*