

MEMO# 28484

October 23, 2014

Draft Comment Letter on PCAOB Staff Consultation Paper; Member Comments Requested by October 30

[28484]

October 23, 2014

TO: ACCOUNTING/TREASURERS COMMITTEE No. 27-14
END OF DAY PRICING FORUM No. 4-14 RE: DRAFT COMMENT LETTER ON PCAOB STAFF
CONSULTATION PAPER; MEMBER COMMENTS REQUESTED BY OCTOBER 30

The Public Company Accounting Oversight Board recently released a staff consultation paper seeking comment on standard-setting activities related to auditing accounting estimates and fair value measurements. [\[1\]](#) The paper was prepared by the Office of the Chief Auditor as part of its outreach efforts to seek input related to possible changes to existing audit standards or a new audit standard. The paper indicates that the staff is considering how a potential new standard could address audit evidence obtained from third-party sources, such as pricing vendors. The Institute has prepared the attached draft comment letter, which is briefly summarized below.

If you have comments on the draft letter, please provide them to Greg Smith at 202/326-5851 or smith@ici.org by Thursday, October 30.

The draft comment letter expresses support for the Board's mission to oversee audits of public companies in order to protect the interests of investors. The letter commends the Board's deliberative information gathering approach to possible changes to audit standards, including the Pricing Sources Task Force in which several mutual fund sponsors participated. The draft comment letter expresses concern, however, that the approach contemplated in the paper may cause a substantial increase in the audit procedures to be performed on audit evidence obtained from third-party pricing sources and that such increase would not necessarily improve audit quality or the level of assurance provided. In particular, the draft letter references language in the paper that suggests the auditor would be required to evaluate the relevance and reliability of each fair value measurement obtained from a third-party source for corroborative purposes.

The draft comment letter recommends the Board permit a risk-based testing approach to fair value measurements the auditor obtains from third-party sources for corroborative purposes.

Gregory M. Smith
Senior Director of Fund Accounting and Compliance

[Attachment](#)

endnotes

[1] See PCAOB [Staff Consultation Paper](#), Auditing Accounting Estimates and Fair Value Measurements (August 19, 2014). For a summary of the Staff Consultation Paper see [ICI Memorandum No. 28333](#) (August 22, 2014).

Copyright © by the Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.