



December 11, 2013

Ms. Phoebe W. Brown
Secretary
Public Company Accounting Oversight Board
1666 K Street, N.W.
Washington, D.C. 20006-2803

Re: Proposed Auditing Standards on the Auditor's Report and the Auditor's Responsibilities
Regarding Other Information and Related Amendments; Docket Matter No. 034

Dear Ms. Brown:

The Independent Directors Council and the Investment Company Institute¹ appreciate the opportunity to comment on the Public Company Accounting Oversight Board's proposed changes to the auditor's reporting model.² The Proposed Auditor Reporting Standard would, among other things, require communication in the auditor's report of "critical audit matters" (CAMs). Communication of CAMs is intended to make the auditor's report more informative, thus increasing its relevance and usefulness to investors and other financial statement users. The Proposed Auditor Reporting Standard would also enhance existing language related to the auditor's responsibilities for fraud, and add new language related to auditor independence and auditor tenure. In addition, the Proposed Auditor

¹ IDC serves the fund independent director community by advancing the education, communication, and policy positions of fund independent directors, and promoting public understanding of their role. IDC's activities are led by a Governing Council of independent directors of Investment Company Institute member funds. ICI is the national association of U.S. investment companies, including mutual funds, closed-end funds, exchange-traded funds, and unit investment trusts. ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers. Members of ICI manage total assets of \$16.1 trillion and serve more than 90 million shareholders, and there are approximately 1,900 independent directors of ICI-member funds. The views expressed by IDC in this letter do not purport to reflect the views of all fund independent directors.

² See *The Auditor's Report on an Audit of Financial Statements when the Auditor Expresses an Unqualified Opinion; The Auditor's Responsibilities Regarding Other Information in Certain Documents Containing Audited Financial Statements and the Related Auditor's Report; and Related Amendments to PCAOB Standards*, PCAOB Release No. 2013-005 (August 13, 2013) (the "Release"). We refer to these proposed standards as the "Proposed Auditor Reporting Standard" and the "Proposed Other Information Standard."

Reporting Standard would add new language regarding the auditor's responsibilities for other information outside the financial statements and the results of the auditor's evaluation of that information. The Proposed Other Information Standard is intended to improve the auditor's procedures and enhance the auditor's responsibilities with respect to the information, other than the audited financial statements and the related auditor's report, contained in a company's annual report filing.

Our comments focus on the application of the proposal to audits of investment company financial statements and the issues that may arise as a result.³ Both IDC and ICI have demonstrated longstanding and strong support for meaningful disclosure that helps mutual fund investors make informed investment decisions.⁴ But, as we discuss in greater detail below, we oppose the proposed CAM disclosure as it relates to investment companies because it would not provide useful information to fund investors and could inappropriately influence investment decisions, while certainly increasing audit fees. Investment company assets consist almost entirely of investment securities and, as a result, their financial reporting is less complex than other types of companies. Consequently, funds routinely may not have any critical audit issues, but the proposal, as currently structured, would pressure auditors to disclose CAMs in their reports.

We do, though, support the proposed enhancement to the existing opinion language regarding the auditor's responsibility for fraud, as well as the proposed new language regarding auditor independence. In addition, while we do not oppose the proposed auditor tenure disclosure, we question its value to fund investors. Finally, we are concerned that the Proposed Other Information Standard as currently drafted is overly broad in the investment company context and, thus, would unnecessarily increase audit costs. We therefore urge the PCAOB to limit a fund auditor's responsibility under the standard to those items that relate directly to the fund's financial statements.

³ In its proposal, the PCAOB indicates that, if adopted by the Board and approved by the SEC, the Proposed Auditor Reporting Standard would apply to the audits of investment companies. The proposal specifically seeks comment on whether the proposed changes are appropriate for audits of investment companies, and if so, whether there are any specific considerations that the PCAOB should take into account.

⁴ See e.g., Letter from Dorothy A. Berry, IDC Governing Council Chair, to Elizabeth M. Murphy, Secretary, U.S. Securities and Exchange Commission, re Comment Request for Study Regarding Financial Literacy Among Investors; File No. 4-645 (March 23, 2012); Letter from Robert W. Uek, IDC Governing Council Chair, to Nancy M. Morris, Secretary, U.S. Securities and Exchange Commission, re Enhanced Disclosure and New Prospectus Delivery Option for Registered Open-End Management Investment Companies; File No. S7-28-07 (Feb. 15, 2008); Letter from Karrie McMillan, ICI General Counsel, to Nancy M. Morris, Secretary, U.S. Securities and Exchange Commission, re Enhanced Disclosure and New Prospectus Delivery Option for Registered Open-End Management Investment Companies; File No. S7-28-07 (Feb. 15, 2008); and Letter from Craig S. Tyle, ICI General Counsel, to Jonathon G. Katz, Secretary, U.S. Securities and Exchange Commission, re Shareholder Reports and Quarterly Portfolio Disclosure of Registered Management Investment Companies; File No. S7-51-02 (February 14, 2003).

Proposed Auditor Reporting Standard

Critical Audit Matters

The Proposed Auditor Reporting Standard would require auditors to communicate CAMs, which are described as those matters addressed during the audit that (a) involved the most difficult, subjective, or complex auditor judgments; (b) posed the most difficulty to the auditor in obtaining sufficient appropriate evidence; or (c) posed the most difficulty to the auditor in forming an opinion on the financial statements. CAMs ordinarily are matters of such importance that they are included in the items required to be documented in the engagement completion document, reviewed by the engagement quality reviewer, or communicated to the audit committee.

Under the proposal, the auditor must communicate in its report the CAMs relating to the audit of the current period's financial statements or state that there are no CAMs. For each CAM the auditor must identify the matter, describe the considerations that led the auditor to conclude the matter is a CAM, and refer to the relevant financial statement accounts and disclosures that relate to the CAM.

CAM Disclosure Would Not Provide Useful Information to Fund Investors. A fund's activities are limited to issuing and redeeming its capital shares and investing in securities. The principal objectives in auditing investment company financial statements are to provide reasonable assurance that: 1) the investment company has ownership of and accounting control over all of its portfolio investments; 2) all transactions are authorized and recorded in the accounting records in the proper account, amount, and period; 3) portfolio investments are valued properly, and their costs are recorded properly; 4) income from investments and realized gains and losses from securities transactions are accounted for properly; and 5) investments are free of liens, pledges, or other security interests or, if not, that such matters are identified properly and disclosed in the financial statements.⁵

In the investment company context, the audit matters most likely to be deemed "critical" under the proposal would involve the auditing of security values. Generally accepted accounting principles currently require extensive disclosure regarding valuation of investments, with particular emphasis on securities for which observable transaction prices are not available. For example, investment company financial statements are required, among other things, to disclose the following:

- The level within the fair value hierarchy in which the fair value measurements are characterized in their entirety (e.g., level 1, 2, or 3);

⁵ See paragraph 2.189, *AICPA Audit and Accounting Guide, Investment Companies* (May 1, 2013).

- Any transfers between levels, the reasons for the transfers, and the policy for determining transfers;
- A description of the valuation technique(s) and the inputs used in the fair value measurement;
- For fair value measurements categorized within level 3, a quantitative description about the significant unobservable inputs used in the fair value measurement;
- For fair value measurements categorized within level 3, a reconciliation from the opening to the closing balances, disclosing separately gains or losses for the period, purchases and sales, and the amount of any transfers into or out of level 3 and the reasons for those transfers;
- For fair value measurements categorized within level 3, a description of the valuation processes used, including how the fund decides its valuation policies and procedures and analyzes changes in fair value from period to period; and
- For fair value measurements categorized within level 3, a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs to a different amount that might result in a significantly higher or lower fair value measurement.⁶

Given the extensive disclosure requirements relating to level 2 and level 3 securities, investors are well informed about the extent of the fund's investments in securities that present difficult or subjective fair value measurements. We believe that requiring the auditor to describe the difficulty associated with auditing these fair value measurements would not add anything to the mix of information already provided to investors. Indeed, CAM disclosure indicating that certain securities trade less frequently and were valued through reference to unobservable inputs would be repetitive of information already provided by management in the notes to the financials.

CAM Disclosure May Inappropriately Influence Investment Decisions. Identification of CAMs would involve a significant amount of judgment. We have concerns that two different auditors could reach different conclusions after reviewing the same set of facts and that the identification of CAMs would be inconsistent across different audit firms and even different audit partners within the same firm. This inconsistent identification of CAMs by audit firms may impair the comparability of funds. For example, an investor looking for a particular type of fund (*e.g.*, an intermediate-term bond fund) may compare funds of this type from multiple sponsors and interpret CAM disclosure relating to a particular fund as an indication that an investment in that fund carries a higher risk than investment in a comparable fund with no CAM disclosure. This scenario may apply as well in the context of existing shareholders, who may decide to redeem their fund shares after reading the auditor report. The influence of inconsistent CAM disclosure on investment decisions could be heightened if third-party rating services use the presence of

⁶ See Financial Accounting Standards Board Accounting Standards Codification Topic 820-10-50.

CAM disclosure in auditor opinions as a factor in their fund ratings. As a result, CAM disclosure may inappropriately influence investment decisions.

CAM Disclosure Could Become Boilerplate. Auditors to funds that invest primarily in difficult to value securities may provide the same CAM disclosure year after year. For example, auditors to funds that invest primarily in mortgage-backed securities or bonds ranked below investment grade would likely provide the same CAM disclosure annually in each audit opinion. If the same or similar CAM disclosures are provided year after year, the disclosure will likely become “boilerplate” and, consequently, lose its effectiveness.

CAMs Should Not Be Expected in Most Fund Audits. We urge the PCAOB to clarify that it may not be unusual for an audit, particularly a mutual fund audit, to not involve any CAMs. Fund financial statements are relatively less complex than those of operating companies⁷ and, consequently, it may be unlikely that there will be an audit matter that rises to the level where it should be disclosed to investors.

The Proposed Auditor Reporting Standard describes CAMs in relative terms as those matters that involved the *most* difficult auditor judgments, posed the *most* difficulty in obtaining sufficient appropriate audit evidence, or posed the *most* difficulty in forming an opinion on the financial statements. We submit that every audit would necessarily involve a judgment that is the *most* difficult relative to all the judgments made in the context of that audit, or posed the *most* difficulty in obtaining sufficient appropriate audit evidence. The fact that a particular judgment or audit procedure was the most difficult in relation to others, however, does not mean that the judgment or audit procedure gives rise to an audit risk about which investors should be informed.

We note that the Proposed Auditor Reporting Standard states “it is expected that in most audits, the auditor would determine that there are critical audit matters.”⁸ We are concerned that this statement, combined with the definition of CAMs as a relative concept, would pressure auditors to communicate CAMs in virtually all audits, notwithstanding the absence of a matter that is truly critical. For example, in order to ensure that the fund has ownership and accounting control over all of its portfolio securities, the auditor will seek confirmation of ownership from the fund’s custodian, agent banks, and brokers. In certain instances these banks or brokers may not respond to the auditor’s confirmation request. In such instances the auditor may perform alternate procedures to confirm ownership and the standard auditor report on an investment company makes reference to the auditor’s use of such alternate procedures.

⁷ The PCAOB previously recognized the relatively less complex nature of investment company audits in its decision to assess them accounting support fees at ten percent of the amount paid by operating companies. *See* Establishment of Accounting Support Fee, PCAOB Release No. 2003-003 (April 18, 2003). Investment company financial reporting does not include difficult or subjective matters relating to, for example, deferred tax assets, impairments, goodwill, or allowances for sales returns.

⁸ *See* the Release, *supra* note 2, at Appendix 1 – Proposed Auditor Reporting Standard, Paragraph 7.

Obtaining this audit evidence may be the most difficult part of the audit. That does not mean, however, that the auditor could not obtain sufficient appropriate audit evidence, or that ensuring ownership and accounting control was subjective or judgmental in nature. Circumstances such as these could lead to disclosure that investors mistakenly believe describes a truly critical matter and they could attach much greater significance to it than is warranted.

The Proposed Auditor Reporting Standard Undermines the Role of Audit Committees. If a critical issue arises during the course of an audit, it is the audit committee's role to discuss and evaluate the matter with the auditor.⁹ The audit committee is better equipped to ask questions and probe technical and complex matters in a one-on-one setting than investors are by just reading disclosure. This dialogue allows for a more nuanced conversation of any critical issues that arise during an audit. The audit committee can then determine what, if any, action is appropriate to take to follow up on the matter. For example, the audit committee may decide to modify the fund's valuation policies and procedures if the auditor disagrees with a fair valuation estimate.

CAM Disclosure Would Unnecessarily Increase Fund Audit Fees. As the PCAOB acknowledges, the proposal is not without costs. Auditors would incur one-time set-up costs relating to updating their methodology regarding auditor reporting. In addition, audit firms would incur ongoing annual costs associated with documenting their decisions as to why particular matters are or are not CAMs. Further, there would be costs associated with developing the disclosure to be included in the auditor's report. We anticipate additional costs associated with review by the audit firm's national office of the CAM disclosure to be included in the auditor's report. We are concerned that auditors would pass these costs on to their fund clients. Importantly, fund audit fees are paid by the fund – not the fund manager. Thus, for the reasons discussed above, these costs would reduce returns to shareholders without providing any discernable benefit.

The PCAOB Should Perform Outreach with Fund Investors. In its Release, the PCAOB notes that "extensive outreach conducted over the last three years" led it to issue the Release. Further, the Release indicates that "many investors have expressed dissatisfaction that the content of the existing auditor's report provides little, if any, information specific to the audit of the company's financial statements" and "that investors indicated they would benefit from additional auditor reporting" on this information. The PCAOB does not indicate, however, whether any of this outreach included retail mutual fund investors. Given the unique nature of investment company financial reporting, fund investors may value the proposed disclosure differently than investors in operating companies when making investment decisions. Because the PCAOB has not demonstrated a compelling need or desire from fund investors for this disclosure, we urge it to perform outreach to retail mutual fund investors to verify the perceived benefits.

⁹ AS 16, *Communications with Audit Committees*, ensures that the audit committee is well informed about difficult or contentious issues that arise during the course of the audit.

Fund-Specific Issues Should Be Addressed. Fund sponsors typically offer many different funds, each with their own financial statements. Where funds share a common fiscal year end, their financial statements may be combined into one shareholder report “book.” That book contains financial statements and other SEC-required disclosures (*e.g.*, management’s discussion of fund performance, the fund expense example, the graphic presentation of the fund’s investment portfolio) separately for each of the funds included in the shareholder report book. The auditor’s report, however, is typically prepared on a joint basis and covers all of the funds included in the shareholder report book. Currently, there are no fund-specific disclosures required to be included in a joint auditor report. The proposed CAM disclosure, however, would require fund-specific disclosures and therefore calls into question the ability of an auditor to provide a joint report covering several funds. We urge the PCAOB to confirm the ability of fund auditors to provide these joint reports.

Basic Elements of the Auditor’s Report

The Proposed Auditor Reporting Standard primarily retains the basic elements of the auditor’s report. There are, though, three basic elements of the auditor’s report that the PCAOB seeks to refine: additional disclosure about the auditor’s independence, clarification about the auditor’s responsibility regarding fraud, and new disclosure about auditor tenure. Our comments are below.

First, the proposal would require additional disclosure regarding an auditor’s independence. This statement, regarding the auditor’s existing requirements to be independent, is intended to enhance investor understanding about an auditor’s obligations related to independence and to serve as a reminder to auditors of these obligations. We support adding this disclosure to the auditor’s report.

Second, the Proposed Auditor Reporting Standard would revise the auditor’s report to recognize the auditor’s existing responsibility to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements, whether due to error or fraud. In particular, the phrase “whether due to error or fraud,” would be added to the report when describing the auditor’s responsibility to obtain reasonable assurance about whether the financial statements are free of material misstatement. The PCAOB has proposed this change to clarify the auditor’s role in detecting fraud as the current auditor’s report makes no explicit reference to fraud. We believe the proposed disclosure better informs investors of the auditor’s responsibility and we support adding it to the auditor’s report.

Third, the proposal would require the auditor’s report to indicate the year in which the auditor began its service. The Release indicates that the PCAOB has not reached a conclusion regarding the relationship between audit quality and auditor tenure. The mere fact that the PCAOB proposes to require disclosure about auditor tenure, however, suggests that the PCAOB believes the information to be meaningful and that investors should consider the length of the auditor’s tenure in assessing audit quality or auditor independence. As explained in the Release, the topic of auditor tenure has been the subject of

discussion for quite some time, and IDC and ICI have been actively involved in the dialogue.¹⁰ We do not object to disclosure of auditor tenure in the auditor's report, but we question its relevance to investors.

In the event the PCAOB determines to adopt the proposed disclosure, its application needs clarification in the investment company context. Typically, a fund complex organizes a corporation or a business or statutory trust under state law, which issues a number of separate series of shares, each of which represents a separate fund. Each fund will prepare its own financial statements and those financial statements must be audited annually. From time to time the corporation or trust may issue an additional series of shares representing a new fund. As proposed, it is unclear whether the auditor tenure disclosure requirement would apply at the fund complex level, the trust level, or the fund level. For example, assume an investment adviser first engages in the mutual fund business in 2000 by forming a business trust that offers one series of shares (*e.g.*, a growth fund). Assume that the adviser forms a separate business trust in 2005 and that trust offers one series of shares (*e.g.*, a value fund). In addition, assume the business trust formed in 2005 issues an additional series of shares (*e.g.*, a bond fund) in 2010. If the same auditor has audited each of these funds since their respective inception dates, the auditor tenure disclosure might be measured from 2000 for the complex, 2005 for the trust, or 2010 for the bond fund.

If the PCAOB requires auditor tenure disclosure, we believe it would be appropriate to measure the auditor's tenure from when it first audited any fund in the complex. This approach is logical because all of the funds within a complex are on the same accounting system and are subject to the same system of internal controls over financial reporting. Furthermore, many fund complexes have one board of directors that oversees all the funds in the complex and it is the board's responsibility, by statute, to select a fund's auditor.¹¹ This approach is consistent with the application of the SEC's audit partner rotation requirements to investment companies. In particular, an audit partner is required to rotate off all the SEC registered investment companies in the complex after serving any fund for five years, and that partner cannot serve any of the funds in the complex during the ensuing five years.¹²

¹⁰ See Letter From Dorothy A. Berry, IDC Governing Council Chair, to J. Gordon Seymour, Secretary, Public Company Accounting Oversight Board, re Concept Release on Auditor Independence and Audit Firm Rotation; Rulemaking Docket Matter No. 37 (Dec 14, 2011) and Letter From Gregory M. Smith, Director – Fund Accounting, Investment Company Institute, to J. Gordon Seymour, Secretary, Public Company Accounting Oversight Board, re Concept Release on Auditor Independence and Audit Firm Rotation; Rulemaking Docket Matter No. 37 (Dec 14, 2011).

¹¹ See Section 32 of the Investment Company Act of 1940 (the 1940 Act).

¹² See Rule 2-01(c)(6)(iii) of Regulation S-X. We recommend not using the definition of "investment company complex" included in rule 2-01 of Regulation S-X to measure auditor tenure. That definition includes the investment adviser, any entity controlled by or controlling the investment adviser, and entities under common control with the investment adviser that provide services to the fund. These entities would be on a different accounting system and have a different board of directors than the funds.

Proposed Other Information Standard

Existing PCAOB standards require that the auditor “read and consider” whether other information in the annual report filing is materially inconsistent with information in the financial statements. In the context of mutual funds, this information is that which is contained in the fund’s shareholder report and the fund’s Form N-CSR filing. The Proposed Other Information Standard would enhance the auditor’s responsibility for the information by requiring that the auditor “read and evaluate” it. That is, the auditor would need to perform specific procedures based on information obtained during the audit and then disclose in the auditor’s report its responsibility for, and the results of, its evaluation of the information. For the reasons discussed below, we urge the PCAOB to modify the proposed standard to limit a fund auditor’s responsibility to read and evaluate other information to those items that relate directly to the fund’s financial statements.

The Scope of the Proposed Other Information Standard is Overly Broad in the Investment Company Context and Would Unnecessarily Increase Fund Audit Costs. We are concerned that the evaluation and reporting required by the proposal would unnecessarily increase fund audit costs. Much of the information the Proposed Other Information Standard would require the auditor to evaluate is beyond the scope of an auditor’s expertise and does not relate to the fund’s financial statements. Specifically, some of the information in a fund’s annual shareholder report cannot be evaluated through reference to data obtained during the course of the audit of the financial statements. For example, the statement regarding the basis for board approval of the investment advisory contract¹³ is not related to the fund’s financial statements, note disclosures, or internal controls over financial reporting. Rather, the disclosure describes the factors and conclusions that led the fund’s board of directors to approve the investment advisory contract, including the nature of the services provided to the fund by the adviser and the fee charged for those services. An evaluation of this information is well beyond the scope of the auditor’s expertise and no procedures performed or evidence obtained as part of the financial statement audit will enable the auditor to provide a meaningful evaluation.

Similarly, certain of the information contained in a fund’s Form N-CSR filing¹⁴ beyond the shareholder report does not relate to the fund’s financial statements and cannot be evaluated through

¹³ The statement regarding a board’s basis for approval of the investment advisory contract appears in the annual shareholder report if the board approved the contract during the second half of the fund’s fiscal year. Otherwise, the statement appears in the semi-annual report covering the first half of the fund’s fiscal year.

¹⁴ A fund’s Form N-CSR filing includes the fund’s shareholder report and the following other information: (i) the fund’s code of ethics; (ii) identification of the fund’s audit committee financial expert; (iii) audit fees, audit-related fees, tax fees, and all other fees paid to the fund’s principal accountant; (iv) the principal executive’s and principal financial officer’s conclusions regarding the effectiveness of the fund’s disclosure controls and procedures based on an evaluation of those controls and procedures performed within 90 days of the filing date; (v) any changes in the fund’s internal controls over financial reporting; (vi) the principal executive’s and principal financial officer’s certifications; and (vii) certain other information for closed-end funds.

reference to data obtained during the course of the audit. Furthermore, unlike SEC Form 10-K, we believe it would be highly unlikely that a fund shareholder would rely upon Form N-CSR in evaluating the fund or to make investment decisions. Accordingly, we see little benefit in including it within the scope of the auditor's responsibility for other information.

The Proposed Other Information Standard Fails to Take into Consideration the Timing of a Fund's Form N-CSR Preparation. The proposal does not take into account the fact that the Form N-CSR filing likely is not available to the auditor in time for effective evaluation. This is because investment companies must send their annual shareholder report to investors not more than 60 days after the fund's fiscal year end,¹⁵ and the shareholder report must be filed with the SEC on Form N-CSR not more than 10 days after the shareholder report is sent to shareholders.¹⁶ We understand that the shareholder report, including the signed auditor's report, must be delivered to the printer several days prior to the 60th day to enable typeset, proofing, production and mailing no later than the 60th day. The Form N-CSR is generally prepared only after the shareholder report has been finalized and delivered to the printer and is typically filed with the SEC after the 60th day. As a result, a fund auditor would not be able to effectively evaluate the Form N-CSR prior to signing off on the fund's financial statements.

We understand this sequence is different than that in an operating company context, where the Form 10-K filing, including the audited financial statements, is first filed with the SEC and the glossy annual report or Form 10-K filing is later mailed to shareholders. Indeed, while many operating companies send the entire Form 10-K to shareholders, we are not aware of any investment company that sends Form N-CSR to its shareholders.

A Fund Auditor's Responsibility For Other Information Should Be Limited to Items Relating Directly to the Fund's Financials. We see no benefit associated with requiring the auditor to evaluate disclosures that have no relationship to the financial statements. Recognizing that investment companies must include information in the shareholder report on the fund's performance, the factors that affected performance, the fund's expenses, and the fund's portfolio, and that shareholders may consider this information in evaluating fund performance, we recommend limiting the auditor's responsibility for other information in the context of an investment company audit to those items that relate directly to the fund's financial statements. In particular, if the PCAOB adopts the Proposed Other Information Standard, the auditor's responsibility for other information should be limited to total return information included in management's discussion of fund performance,¹⁷ the expense example, and the graphical presentation of

¹⁵ 1940 Act Rule 30e-1.

¹⁶ 1940 Act Rule 30b2-1.

¹⁷ Much of the information in management's discussion of fund performance cannot be evaluated through reference to information obtained during the course of the audit of the financial statements, and should be outside the scope of the auditor's evaluation. In particular, information relating to how the fund over- or under-weighted certain sectors or securities relative to

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the fund's holdings.¹⁸ All of this information is included in the shareholder report that is sent to investors, and is available to the auditor in time for effective evaluation. Moreover, narrowing the scope of the proposal for funds in this way would limit the costs associated with the proposal. If the Board does not limit a fund auditor's responsibility for other information to those items that relate directly to the fund's financial statements, then we oppose the Proposed Other Information Standard.

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If you have any questions, please contact the undersigned, Amy Lancellotta, at (202) 326-5824 or amy@ici.org, or Gregory Smith, at (202) 326-5851 or smith@ici.org.



Amy B.R. Lancellotta
IDC Managing Director



Gregory M. Smith
ICI Senior Director – Fund Accounting

cc: James R. Doty, PCAOB Chairman
Lewis H. Ferguson, PCAOB Member
Jeanette M. Franzel, PCAOB Member
Jay D. Hanson, PCAOB Member
Steven B. Harris, PCAOB Member

its benchmark index would only be found in portfolio management or investment database systems outside the scope of the fund's accounting records.

¹⁸ We recommend, though, that the PCAOB clarify that an auditor need not, as part of its evaluation of other information, evaluate or mathematically recalculate investment attributes relating to particular holdings or the fund's portfolio. This is because certain attributes of a fund's holdings, such as average market capitalization, average price to earnings ratio, and average price to book ratio, are based on information outside the scope of the fund's accounting records.