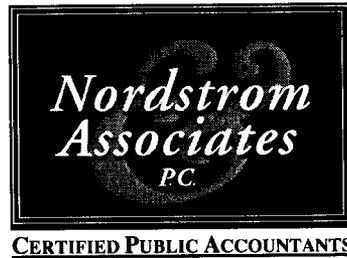


Bruce J. Nordstrom, CPA  
Godfrey C. Loper, Jr., CPA  
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MEMBERS  
American Institute of  
Certified Public Accountants  
Arizona Society of Certified  
Public Accountants

December 10, 2013

Public Company Accounting Oversight Board  
Office of the Secretary  
1666 K Street, N.W.  
Washington DC 2006-2803

Submitted by e-mail: [comments@pcaobus.org](mailto:comments@pcaobus.org)

**Re: PCAOB Release No. 2013-005, PCAOB Rulemaking Docket Matter No. 034**

I am Bruce Nordstrom, President and Certified Public Accountant with Nordstrom & Associates, P.C. and Chairman of the Audit Committee for Pinnacle West Capital Corporation (“Pinnacle West”). Pinnacle West is the NYSE-listed parent company of Arizona Public Service Company, the largest electric utility company in Arizona, serving more than a million customers. It is in my capacity as Audit Committee Chair for Pinnacle West that I respectfully submit comments on the PCAOB’s Release No 2013-05; Proposed auditing standards on *The Auditor’s Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion*, and *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*.

I commend the PCAOB’s efforts to improve information provided to investors and financial statement users. However, I do not support the PCAOB’s proposals included in PCAOB Release No. 2013-005. I most strongly disagree with the proposals to include critical audit matters (CAMs) within the audit report and to expand the auditor’s responsibilities regarding other information presented with audited financial statements. The proposed changes would unnecessarily alter the auditor’s responsibilities from an attest function to a financial communication role, infringe upon the audit committee’s oversight, and result in additional costs without commensurate benefits. Following is a detailed discussion of these specific concerns.

**Critical Audit Matters**

The proposed guidance requires auditors to include a discussion in the audit report of CAMs that the auditor deems to have involved the most difficult, subjective or complex auditor judgments, posed the most difficulty to the auditor in obtaining sufficient audit evidence, and posed the most difficulty to the auditor in forming an opinion on the

financial statements. The auditor will be responsible for identifying and disclosing information on these topics.

Financial statements and the communication of financial information is management's responsibility; with oversight provided by the audit committee. The auditor's role is to attest and opine on the financial information presented by management. The requirement for auditors to prepare and disclose CAMs within the audit report will distort these fundamental roles, resulting in auditors becoming a source of financial information.

This information may also be redundant, as existing SEC and US GAAP standards task management with disclosing many of the matters that would be CAMs; including: accounting estimates and policies, critical management judgments, risks and uncertainties. Topics that would be included in CAMs, if relevant to investors in making investment decisions, should already be disclosed by management as required by existing standards.

The audit committee is comprised of members of the shareholder-elected Board of Directors, and provides oversight of accounting policies, internal controls, financial reporting, and the audit process. This oversight role helps identify key audit matters and the communication of such matters to investors through management's financial disclosures. The inclusion of CAMs in the auditor report will usurp the audit committee's oversight role; as auditors will essentially have direct communications with investors. Ultimately, these disclosures will impede the audit committee's duties and diminish the oversight provided by the audit committee.

My primary concerns with the inclusion of CAMs in the audit report are the distortion of the auditor's function from an attestation role to a reporting role, and the undermining of the audit committee's oversight. Management should have the sole responsibility for reporting financial information, with oversight provided by the audit committee. Other issues with this proposed guidance include the subjective nature of determining CAMs, the risk of CAMs overshadowing the audit opinion, and the additional audit costs that will be incurred.

### **The Other Information Standard**

I support adding language to the auditor's report to *clarify* the auditors' responsibilities and procedures regarding other information presented with the audited financial statements; however, I do not agree with expanding the auditor's responsibilities regarding other information. The existing standards require auditors to "read and consider" other information presented with audited financial statements to ensure the information is consistent with the audited financial statements. These existing procedures have proven to provide sufficient and reliable audit evidence for investors. The proposed guidance will require auditors to "read and evaluate" other information. The term "evaluate" is distinctly different from "consider" and will result in expanded audit procedures. Expanding auditor's responsibilities relating to other information will result in additional costs with no commensurate benefit to investors.

## **Conclusion**

I appreciate the opportunity to comment on the PCAOB's proposals. I strongly urge the Board to reconsider their proposal to include CAMs in the audit report. Auditors should not be tasked with communicating financial information or information that can be perceived as financial information. Further, I urge the Board to re-evaluate the changes they have proposed regarding other information and consider retaining the existing audit requirements, but clarifying in the audit report the procedures that are performed on other information.

I would be pleased to discuss my comments in further detail or to provide any additional information you may find helpful in addressing these important issues.

**Sincerely,**

A handwritten signature in black ink, appearing to read "Bruce J. Nordstrom". The signature is written in a cursive style with a large initial "B" and "N".

**Bruce J. Nordstrom**