March 9, 2020

Securities and Exchange Commission  
File Number S7-26-19  
RE: Proposed Amendments to Rule 2-01, Qualifications of Accountants

The Connecticut Society of Certified Public Accountants (CTCPA) appreciates the opportunity to offer comments on the proposed rule, Amendments to Rule 2-01, Qualifications of Accountants, to the Securities and Exchange Commission (“the Commission”). To be clear, we support the proposed amendments and agree that they would more effectively focus the independence analysis on those relationships or services that are more likely to pose threats to an auditor’s objectivity and impartiality.

The CTCPA and its members seek to maintain the highest level of audit quality and integrity as a function of the regulations that guide the delivery of the profession’s assurance services. We are supportive of the risk-based approach in rules setting.

Given the various and complex scenarios that can exist in light of current market conditions and industry practices\(^1\) that could potentially impact audit engagements, we respectfully suggest that practitioners would appreciate the provision of additional specific examples to illustrate the application of the proposed amendments, and so we would ask that the Commission consider providing such examples, particularly as they relate to implementing the proposed standards and interpretations of the definitions of affiliates of the audit client and Investment Company Complexes as noted in proposed Rule 2-01(f)(4) and Rule 2-01(f)(14), respectively.\(^2\)

In addition, we recommend that the Commission should consider further aligning its proposed affiliate of the audit client definition in Regulation S-X Rule 2-01(f)(4) with the definition of “affiliate” in the AICPA Code of Professional Conduct (the AICPA Code)\(^3\) to decrease compliance burdens when applying it. This could be accomplished by considering (1) a sister entity as an affiliate only when both the sister entity and the entity under audit are material to the controlling entity, and (2) the entity that controls the entity under audit as an affiliate only when the entity under audit is material to the controlling entity.

The AICPA standards are well established and accepted, and we believe the addition of these two revisions to the proposed rule would more closely align the SEC independence rules with the AICPA Code. This would reduce complexities and allow entities and their auditors to perform consistent affiliate evaluations and monitoring approaches.

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\(^1\) Amendments to Rule 2-01, Qualifications of Accountants, Release 33–10738 (December 30, 2019), [85 FR 2333 (January 15, 2020)].


\(^3\) The AICPA Code, Definitions, 0.400.02(e) defines “affiliate” as “[a] sister entity of a financial statement attest client if the financial statement attest client and sister are each material to the entity that controls both”.

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We also believe that when the entity under audit is immaterial to the entity which controls it, it is less likely the auditor's relationships with sister entities would impact the auditor's ability to maintain objectivity and impartiality throughout the course of the audit engagement.

We appreciate the opportunity to comment on the proposed rule. If the Commission has any questions, we would be pleased to discuss our comments in further detail.

Sincerely,

Bonnie Stewart
Executive Director