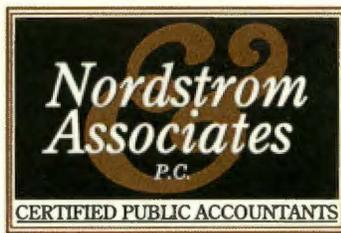


Bruce J. Nordstrom, CPA

Marjorie T. McClanahan, CPA

Timothy D. Hansen, CPA



MEMBER

American Institute of  
Certified Public Accountants

Arizona Society of Certified  
Public Accountants

August 9, 2017

Brent J. Fields, Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

**Re: SEC Release Number 34-81187; File Number PCAOB-2017-01**

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 one million customers. It is in my capacity as Audit Committee Chair for Pinnacle West that I respectfully respond to the SEC's request for comments on the proposed rule change relating to File Number PCAOB-2017-01; Public Company Accounting Oversight Board's ("PCAOB"); *Notice of Filing Proposed Rules on The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion, and Departures from Unqualified Opinions and Other Reporting Circumstances, and Related Amendments to Auditing Standards.*

While I appreciate the PCAOB's efforts to improve and enhance the auditor's report, I do not support the proposed rule changes. I strongly disagree with the PCAOB's requirement to include critical audit matters (CAMs) within the audit report. I believe the inclusion of CAMs in the audit report undermines the role of the audit committee, will impede open communications between the auditors and the audit committee, and inappropriately shifts the auditor function from that of an attest function to a management role. Furthermore, I do not support the PCAOB's proposal to disclose audit tenure within the audit report, as that information is irrelevant. The following is a detailed discussion of my concerns.

#### **Critical Audit Matters**

The PCAOB proposal requires auditors to include a discussion in the audit report of CAMs, with CAMs defined as certain matters required to be communicated to the audit committee, in addition to matters the auditors communicate to the audit committee, even if not required. Although the PCAOB provides a framework for identifying CAMs, the auditor will ultimately be responsible for identifying and determining the entity-specific topics qualifying for CAM reporting. The PCAOB indicates a purpose of including CAMs in the audit report is to reduce information asymmetry<sup>1</sup> between investors and auditors.

---

<sup>1</sup> The PCAOB describes information asymmetry as an imbalance where one party has more or better information than another party.

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. The audit committee has access to auditors, management, and the board of directors. The audit committee has the knowledge, perspective, and authority to provide oversight over relevant information properly disclosed by management to shareholders and other users of the financial statements. This oversight role ensures key audit matters are properly addressed and communicated to investors through management's financial disclosures. The audit committee oversees the financial reporting process and audit process to ensure that matters that are material to shareholders are appropriately disclosed. The disclosure of CAMS undermines this audit committee oversight role, and effectively shifts the auditors' role from providing an attest function into serving in a management role. Reporting CAMS may lead to a decrease in audit quality as investors may place undue emphasis on CAMS instead of the audit opinion and related financial statements.

CAM reporting may also impede and significantly limit communications between the audit committee and auditors. Due to the CAM reporting requirement, auditors may be less inclined to discuss non-required topics with the audit committee, as any discussion will require assessment for CAM reporting. This could ultimately limit the effectiveness of the audit committee and information shared with the audit committee.

Auditors are privy to proprietary and critical company-specific information. Access to this information is a necessary component of the attest function. Information asymmetry between the investor and the auditor is an inherent characteristic of an audit and the financial reporting process. The SEC and FASB are the organizations that should ensure management's financial statement disclosures provide investors with adequate information to make informed investment decisions. The auditors and the audit report should attest to management's reporting, but should not be a means for communicating company-specific information to investors.

### **Auditor Tenure**

I do not support the PCAOB's proposal to disclose the auditor's tenure within the audit report. In instances with long audit tenure, this disclosure may imply a lack of auditor independence. Conversely, in instances with short audit tenure, this disclosure may imply poor audit quality. I believe the PCAOB and the SEC have taken great efforts to ensure the independence, quality, and effectiveness of audits regardless of auditor tenure. Disclosing auditor tenure will diminish these efforts. Requiring disclosure of auditor tenure provides information that may be mistakenly misinterpreted by investors. The audit committee is in the best position to evaluate the auditor's independence, including auditor tenure and rotation.

### **Conclusion**

I appreciate the opportunity to comment on the SEC's proposed rule relating to File Number PCAOB-2017-01. I strongly urge the SEC to reject these proposed rule changes.

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 a distinct "J" and "N".

Bruce J. Nordstrom