

Improving the Transparency of Audits

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Improving the Transparency of Audits

- Proposed Amendments to PCAOB Auditing Standards and Annual Report Form
 - Issued on October 11, 2011
 - Comment period open until January 9, 2012
- Improve transparency of audits by requiring the disclosure of:
 - Engagement partner, and
 - Accounting firms and other persons that took part in the audit

Disclosure of the Engagement Partner

- Builds on the July 28, 2009 Concept Release on Engagement Partner Signature
- Modifies the approach in Concept Release
- Details of the disclosure:
 - Audit Report
 - Engagement partner's name
 - For the most recent reporting period
 - Special situations – multiple-periods, dual-dating
 - Annual Report Form (Form 2)
 - Names of engagement partners

Disclosure of Other Accounting Firms and/or Other Persons That Took Part in the Audit

When assuming responsibility or supervising

- Applicable when the auditor:
 - Assumed responsibility for the work of another firm in accordance with AU sec. 543, *Part of Audit Performed by Other Independent Auditors*,
 - Supervised the work of another firm in accordance with Auditing Standard No. 10, *Supervision of the Audit Engagement*, or
 - Supervised a person not employed by the auditor that performed audit procedures on the audit in accordance with Auditing Standard No. 10.

Disclosure of Other Accounting Firms and/or Other Persons That Took Part in the Audit

When assuming responsibility or supervising

□ Exceptions:

- EQR and Appendix K reviewers
- Specialists
- Internal auditors, other company personnel, or third parties working under the direction of management or the audit committee, who provided direct assistance in the audit of internal control over financial reporting
- Internal auditors who provided direct assistance in the audit of the financial statements

Disclosure of Other Accounting Firms and/or Other Persons That Took Part in the Audit

When assuming responsibility or supervising

- Details of the disclosure:
 - Name, location of headquarters' office or residence
 - Extent of participation:
 - As of the report date
 - 3% and more of total audit hours – separately
 - Below 3% – other participants may be aggregated or reported separately
- Presentation:
 - Explanatory paragraph, or
 - Explanatory paragraph and appendix

Disclosure of Other Accounting Firms and/or Other Persons That Took Part in the Audit

When dividing responsibility

- Requires disclosure of the other auditor's name and location in the audit report
 - Existing requirement to disclose the portion audited by the other auditor is unchanged
- Removes requirement to obtain permission to disclose the other auditor's name

SAG Member Discussion

SAG members will be invited to comment on the proposed amendments, including the questions raised in the proposing release