August 5, 2015

Office of the Secretary
PCAOB
1666 K Street, N.W.
Washington, DC 20006-2803

Re: Rulemaking Docket No. 029, PCAOB Release No. 2015-004, *Supplemental Request for Comment: Rules to Require Disclosure of Certain Audit Participants on a New PCAOB Form*

Dear Board Members:

The Financial Reporting Committee (FRC) of the Institute of Management Accountants (IMA) is writing to share its views on the PCAOB's Release No. 2015-004, *Supplemental Request for Comment: Rules to Require Disclosure of Certain Audit Participants on a New PCAOB Form* (Release).

The IMA is a global association representing over 75,000 accountants and finance team professionals. Our members work inside organizations of various sizes, industries and types, including manufacturing and services, public and private enterprises, not-for-profit organizations, academic institutions, government entities and multinational corporations. The FRC is the financial reporting technical committee of the IMA. The committee includes preparers of financial statements for some of the largest companies in the world, representatives from the world's largest accounting firms, valuation experts, accounting consultants, academics, and users. The FRC reviews and responds to research studies, statements, pronouncements, pending legislation, proposals and other documents issued by domestic and international agencies and organizations. Information on the FRC can be found at www.imanet.org and in the Advocacy Activity section under the About IMA tab.

Overview

The Release primarily asks whether the name of the engagement partner and other audit participants should be provided in a form to be filed with the PCAOB rather than having such information disclosed in the auditor's report, as had been proposed earlier. This change in presentation is intended to address concerns about legal and SEC filing issues raised by accounting firms. However, as clearly expressed in our January 21, 2014 and January 16, 2012 letters, we continue to believe that the Board has not made a persuasive case for requiring disclosure of the name of the engagement partner. As explained in those earlier letters and reiterated in this letter, we continue to believe that naming the engagement partner in any document is unnecessary for the following reasons and is, in the words of a PCAOB member, "a solution in search of a problem."

- Naming a single individual as implicitly being fully responsible for an audit contradicts the team effort involved. We believe most users do not find such information valuable in making investment decisions. In any event, whether this would be of use to investors and should be disclosed in some manner should be the responsibility of the SEC. This issue is currently being considered as part of the Commission's audit committee disclosure project and the PCAOB should table any action subject to a SEC decision.

- There is no compelling evidence that being named publicly would motivate engagement partners to perform better and, therefore, lead to higher quality audits. Given all of the checks and balances involved in the audit review process as well as the numerous ways in which engagement partners can be second guessed, we simply do not see how there can be a much higher level of "accountability" than presently exists.

Value of Engagement Partner Disclosure

Our January 21, 2014 letter expressed the concern, in particular, that naming engagement partners could only lead to incomplete and perhaps even misleading data being collected and reported. As noted above our experience is that the audit is a team effort. For some of our preparer committee members, there are as many as twenty or more audit partners subject to mandatory rotation. Our preparer committee members also note that it is not unusual to interact with several of partners on a daily basis.

From our experience in working on or assisting audit committees in their process of selecting new engagement partners, we see no use for a database of engagement partner names. Our experience in the decision making process regarding new auditors and in the reality of the team vs. individual approach to the audits, no single audit partner is pivotal to the decision making process.

During our discussions in preparing this letter, a FRC user member observed that he (and he believed many of his peers) would not derive any utility from disclosure of engagement partners. He indicated that he usually looks at the auditor's report only to see the name of the firm and if there is any qualification. Another FRC member working as a consultant with investors on due diligence reviews echoed that observation. This leads us to conclude that disclosing a single name has little value to users and investors.

In the SEC's Concept Release, *Possible Revisions to Audit Committee Disclosures,* the Commission includes questions 34-42 asking whether disclosure of the name of the engagement partner would be useful to investors. And the questions also ask where such disclosure should be made if it is deemed to be useful. During the fairly long life of this project at the PCAOB, the principal rationale for disclosure of the audit partner has switched from improvement of audit quality (although that is still part of the motivation for at least some Board members) to providing decision useful information to investors. As we noted in our last letter when quoting former Board member Dan Goelzer, the latter responsibility belongs primarily to the SEC and not the PCAOB. Thus, given that the Commission has formally taken the ball into its court by including the issue in the related project, the PCAOB should table any further work on this matter unless the SEC decides to cede it back.

Accountability

We did not say a lot about this issue in our last letter. We did reject the notion that naming the engagement partner would improve audit quality. As we said then, "We cannot fathom that there is another level of quality to which accounting firms can somehow rise as a result of the engagement partner having his or her name included in the report and feeling more 'accountable.'"

Most of us who are not presently working for an accounting firm did so earlier in our careers. So we observed first-hand the extensive quality control procedures employed through the engagement partner

level. And we are constantly made aware of the challenging inspections by the PCAOB staff that hang like the proverbial sword over the engagement partner's head. S/he is, of course, also subject to SEC reviews, civil litigation and so on. In short, how much more fear can be put in the minds of engagement partners?

In our discussions in preparing this letter, the words "cannot fathom" in our last letter actually did not seem strong enough. Several members stated that requiring the naming of engagement partners to promote a higher level of accountability is a professional insult to the dedication that most engagement partners demonstrate today and an insult to the accounting profession.

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We would be pleased to discuss our comments with the PCAOB or its staff at your convenience.

Sincerely,

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Institute of Management Accountants
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