CalCPA

1800 Gateway Drive, Ste 200
San Mateo CA 94404-4072
(800) 922-5272
www.calcpa.org

Via email: comments@pcaobus.org

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

IMPROVING THE TRANSPARENCY OF AUDITS:
PROPOSED AMENDMENTS TO PCAOB AUDITING STANDARDS AND FORM 2
PCAOB Release No. 2011-007
October 11, 2011
PCAOB Rulemaking Docket Matter No. 29

The Accounting Principles and Auditing Standards Committee ("the Committee" or "We") of the California Society of Certified Public Accountants ("CalCPA") is grateful for the opportunity to comment on the proposed amendments referenced above. The Committee is the senior technical committee of CalCPA. CalCPA has approximately 35,000 members. The Committee is comprised of 43 members, of whom 56 percent are from local or regional firms, 12 percent are sole practitioners in public practice, 9 percent are in academia and 2 percent are in an international firm.

The Committee strongly opposes any requirement to require that the engagement partner be identified in public reports. The reasons for this are explained in the answers to the PCAOB's questions.

## I. Introduction

## II. Disclosure of the Engagement Partner

The Committee strongly opposes any requirement to require the engagement partner to sign the audit report or be identified as the engagement partner in public reports.

## A. The Proposed Audit Report Disclosure

1. Would disclosure of the engagement partner's name in the audit report enhance investor protection? If so, how? If not, why not?

No. There is already sufficient incentive under Sarbanes Oxley, PCAOB inspections and legal exposure to achieve audit quality.

The Proposed Amendments (the "Proposal"), on page 9, after citing the need for improvement based on its inspections, says that "Disclosing the name of the engagement partner may be one means of promoting performance." We believe that this is not valid. The identity of engagements and engagement personnel where there is alleged non-compliance with PCAOB standards is not disclosed, so disclosure of the name of the engagement partner in connection with the audit report would have no relationship to results of the inspection program.

The Proposal, on page 9, mentions the effect of disclosure of the name of the engagement partner on "transparency." It goes on to cite assignment of more experienced and capable engagement partners, allowing investors to consider whether the engagement partner was replaced sooner than required, and discouraging clients from pressuring the firm to remove an engagement partner. The Committee believes the PCAOB's perceived benefit of additional transparency is invalid. The Committee is not aware that there is any empirical data on this issue, and notes that views supporting the naming requirement cite benefits that "may," "could," or "might" be achieved. As such, they are largely conjecture, and as such do not provide an adequate basis for such a requirement.

For "transparency" to be meaningful, it must provide a view of something meaningful. The name of the engagement partner is not meaningful information to investors. The name of the engagement partner in most cases will be no more than the name of an unknown person of unknown qualifications to investors and others outside the entity, and requiring the identity of the engagement partner therefore hardly increases transparency in any meaningful way.

It is hard to see how the name of the engagement partner is of any use in predicting the quality of a particular audit. An audit typically involves a host of resources of the audit firm, and the quality of a particular audit is more dependent on the availability and skill of those resources than on the engagement partner. Further, the best assessment of the engagement partner is made by the audit committee and management, and this is unrelated to whether the name of the engagement partner is disclosed in the audit firm's report.

2. Would disclosing the name of the engagement partner in the audit report increase the engagement partner's sense of accountability? If not, would requiring signature by the engagement partner increase the sense of accountability?

No. For the reasons stated in response to Question 1, the engagement partner is already very well focused on his or her responsibilities. The Committee does not believe the engagement partner's sense of accountability is affected by disclosure of his or her name or whether a signature is required.

3. Does the proposed approach reflect the appropriate balance between the engagement partner's role in the audit and the firm's responsibility for the audit? Are there other approaches that the Board should consider?

No. It would cloud the responsibility of the firm for the audit. It is the firm, with its broad resources, that is responsible for the audit; the audit is not the work of a single engagement partner, and the engagement partner in most firms cannot operate autonomously. Adding the engagement partner's name to the audit report is simply not relevant to the user's ability to rely on the report of the firm. In addition, the Committee does not believe there is a meaningful difference between naming the engagement partner and adding the engagement partner's signature.

The PCAOB should not require the disclosure of the name of the engagement partner.

4. Would the proposed disclosure clearly describe the engagement partner's responsibilities regarding the most recent reporting period's audit? If not, how could it be improved?

No. The proposed disclosure is "The engagement partner responsible for the audit . . . ." This grossly mischaracterizes the role of the engagement partner. It is the firm that is responsible for the audit. The engagement partner's responsibility is to the firm.

5. Would the proposed disclosure clearly describe the engagement partner's responsibilities when the audit report is dual-dated? If not, how could it be improved?

Naming an engagement partner when there is a subsequent issuance of a report naming a different engagement partner raises some special concerns as to the responsibility of the first engagement partner. If an engagement partner is named, he or she will likely want an opportunity to review the new report being issued. In many cases, the first engagement partner will still be with the firm, can perform the review and have no objections. However, there are situations where the first engagement partner will not be able to do such a review, for example, departure from the firm, illness or other unavailability; in these cases, it is, in the Committee's view, inappropriate to use the name of the first engagement partner. There may also be cases where the first auditor has significant questions or reservations about use of his name; this could be because of litigation or other circumstances. The firm may be satisfied it can re-issue its report, but unable to satisfy the first partner as to his or her reservations; this hardly warrants disclosure from the firm's perspective, creating a very awkward situation.

6. Would the proposed amendments to the auditing standards create particular security risks that warrant treating auditors differently from others involved in the financial reporting process?

The Committee submitted the following comment on the PCAOB's previously released Concept Release dealing with this question:

> The Committee is concerned that naming the engagement partner could lead to harassment or personal danger to the individual; aberrational behavior is an unfortunate fact of life, and it is sometimes difficult to protect individuals from it. As stated below, the Committee is also concerned about possible litigation exposures.
>
> The Committee is opposed to a requirement to name the engagement partner. It is difficult to imagine all circumstances where there could be a threat to the personal security of the engagement partner, particularly if events causing the threat arise after he or she has already been named.

The Committee continues to have these concerns. One only has to look at recent demonstrations held at the residences of CEOs to see that aberrational behavior is real. Directors and officers named in periodic reports have direct and primary responsibility for the information in the company's reports. Auditors do not have such responsibility, and they should not be added to those subject to security risks.

Providing an exemption for an anticipated threat to personal security is problematic. It may be difficult to get a person to be willing to be an engagement partner in this circumstance. In addition, a missing signature is bound to raise questions among users of the audit report.

In addition, there is the risk of adverse publicity for the engagement partner if the client company's financial statements become a subject of press coverage. We are all aware of sensationalism of press coverage and the damage it can do, and how ineffective later clarifications by the press or the victim of adverse publicity can be. The engagement partner is far less likely to be a victim of unwarranted adverse publicity if his or her name is not in the audit report.

### 7. Would the proposed amendments to the auditing standards lead to an increase in private liability of the engagement partner?

The Committee submitted the following comment on the PCAOB's previously released Concept Release dealing with this question:

> As the Concept Release points out, naming the engagement partner or having the engagement partner sign the report may, in the views of some, open up the engagement partner to additional legal liability. Unfortunately, the legal determination may well depend on the outcome of litigation, which is expensive, and the results may be inconsistent from state to state and among federal circuits.

There is nothing in the current proposed amendments that ameliorates the Committee's concerns. Even if the engagement partner technically has no additional liability if named, in the litigious environment in the U.S., it is more likely that the engagement partner would be named in a suit if his name appears as part of the audit report. This would cause an increase in costs, especially if the engagement partner decides to engage his or her own individual counsel.

Not discussed in the proposed amendments is the potential litigation exposure of other firms or persons named as participants in the audit even though the firm signing the audit report takes responsibility for that firm's or person's work. The issues are very similar to those related to the naming of the engagement partner.

The answer to this question requires a legal determination, but the Committee doubts that there is a clear answer since it is a new issue with no law directly on point. This legal determination is beyond the expertise of many accountants and auditors, state CPA societies, academics and investors who can be expected to comment on the Proposal. The PCAOB should reach out to the legal community for information on this question, but it is one that definitely needs to be answered before any aspect of the proposal is implemented.

8. What are the implications of the proposed disclosure rule for private liability under Section 10(b)?

See response to No. 7

9. Would the disclosure of the engagement partner's identity affect Section 11 liability? If so, what should the Board's approach be?

See response to No. 7. In addition, it is unclear whether including the engagement partner's name will cause that partner to be considered an "expert" for the purposes of Section 11 liability.

10. Would the disclosure of the engagement partner's identity have any other liability consequences (such as under state or foreign laws) that the Board should consider?

See response to No. 7.

11. Would a different formulation of the disclosure of the engagement partner ameliorate any effect on liability?

The Committee is unable to suggest a different formulation of the disclosure that would ameliorate any effect on liability, and continues to urge the PCAOB to drop its proposed requirement to name the audit partner.

**B. The Proposed Amendment to Form 2**

12. If the Board adopts the proposed requirement that audit reports disclose the name of the engagement partner, should the Board also require firms to identify the engagement partner with respect to each engagement that the firms are otherwise required to disclose in Form 2?

No. The Committee believes that the PCAOB should not require disclosure of the name of the engagement partner in the audit report or any other public document.

13. If the Board does not adopt the proposed requirement that audit reports disclose the name of the engagement partner, should the Board nonetheless require firms to identify the engagement partner with respect to each engagement that the firms are otherwise required to disclose in Form 2?

No. The PCAOB needs to conclude not to require that audit reports disclose the name of the engagement partner. Requiring disclosure of the name of the engagement partner in Form 2, in the face of a conclusion to not require its disclosure in the audit report, would inappropriately subvert that conclusion.

14. Disclosure in the audit report and on Form 2 would provide notice of a change in engagement partner only after the most recent period's audit is completed. Would more timely information about auditor changes be more useful? Should the Board require the firm to file a special report on Form 3 whenever there is a change in engagement partners?

No. The Committee believes that the PCAOB should not require disclosure of the name of the engagement partner in the audit report or any other public document. Moreover, even if such disclosure is required, the Committee sees no merit to require any notice of change in an engagement partner. This would further tend to confuse the role of the firm engaged to perform the audit and the engagement partner. There is already extensive disclosure around any change in an audit firm. A change in the engagement partner is required every five years, so reporting that mandatory rotation would serve no purpose. Since the firm is responsible for the audit, the name of the engagement partner and any change in the engagement partner, either at the time of rotation or sooner, is of little significance; the engagement partner is just one of many resources in the audit firm that has responsibilities for performance of an audit. The engagement partner can change for many reasons of no consequence to investors, including preference of the engagement partner, changes in assignments, relocation and illness

15. A change in engagement partner prior to the end of the rotation period could be information that investors may want to consider before the most recent period's audit is completed. Should the Board require the firm to file a special report on Form 3 when it replaces an engagement partner for reasons other than mandatory rotation to provide an explanation of the reasons for the change?

No. The Committee believes that the PCAOB should not require disclosure of the name of the engagement partner in the audit report or any other public document. See response to Question 14.

## III. Disclosure of Other Participants in the Audit and Referred-to Accounting Firms

### A. Disclosure When Assuming Responsibility or Supervising

#### 1. Applicability of the Proposed Disclosure

16. Is it sufficiently clear who the disclosure would apply to? If not, how could this be made clear?

The disclosure requirements seem clear. However, the Committee believes that the PCAOB should not require disclosure of the name of the engagement partner in the audit report or any other public document. As described below, the Committee should not require disclosure of other participants in the audit, except when the primary auditor is expressing reliance on the other participant.

17. Is it appropriate not to require disclosure of the individual who performed the EQR? If not, should disclosure of the engagement quality reviewer be required when the EQR is performed by an individual outside the accounting firm issuing the audit report or should the disclosure be required in all cases?

The PCAOB should not require disclosure of the individual who performed the EQR. The Committee believes that the PCAOB should not require disclosure of the name of the engagement partner in the audit report or any other public document. This belief extends to not disclosing the name of the individual who performs the EQR. That person has only limited responsibility for the conduct of the audit, so the disclosure would serve no purpose. As for disclosure if the EQR is an individual outside of the firm, this would potentially lead to confusion as to the degree of responsibility of the firm issuing the audit report for that report. Further, it may cause additional potential legal liability for the individual performing the EQR under federal and state securities statutes.

18. Is it appropriate not to require disclosure of the person that performed the Appendix K review?

Yes.

19. Is it appropriate not to require disclosure of persons with specialized skill or knowledge in a particular field other than accounting and auditing not employed by the auditor or persons employed or engaged by the company who provided direct assistance to the auditor?

Yes. See response to Question 17.

20. Would disclosure of off-shoring arrangements (as defined in the release) or any other types of arrangements to perform audit procedures provide useful information to investors and other users of the audit report? If yes, what information about such arrangements should be disclosed?

No. The reason for the proposed amendments is unclear. The PCAOB has expressed concern about the practice of "off-shoring," which is very poorly defined. The definition is "a practice whereby certain portions of the audit are performed by offices in a country different than the country where the firm is headquartered," and implies that this practice has begun recently. In fact, U.S. headquartered auditing firms have been engaging offices from countries other than the

U.S. for many generations. The Committee is aware from media reports that the PCAOB has had difficulty in carrying out its inspection program of offices of U.S. headquartered firms in certain of those countries, but this is not, *per se*, indicative of any problems with the quality of those audits. The Committee is also aware from media reports of instances where quality concerns have recently been raised about the quality of a small fraction of the overall audits performed by offices in certain other countries. However, the Committee does not believe those instances are sufficiently pervasive as to provide a basis for the extensive disclosures proposed by the PCAOB. Most of the audits performed by offices in a country different than the country where the firm is headquartered have a long history of adequate quality. Disclosure of when the auditor assumes responsibility for or supervises the work of another independent public accounting firm or supervises the work of a person that performed audit procedures on the audit would imply that there is something sub-standard about that work, which is certainly not in the best interests of the firms or investors

The scope of the definition "off-shoring arrangements" in the release is very confusing. While the context of the discussion in the release is firms in other countries, the actual proposed disclosure requirement would run to any firm used by the firm issuing the audit report, even those in the headquarters country.

It is not unusual for the firm issuing the audit report to engage another firm to perform part of an audit and take responsibility for that firm's work. This is particularly common for smaller audit firms that do not have national coverage, and may be done under varying forms of arrangements ranging from formal affiliation to single engagements. Firms auditing international companies have for many years used offices in other countries to audit operations outside the firm's headquarters country. Some of these are part of an affiliated network, and are treated as part of the firm issuing the audit report. The offices in other countries are usually separate legal entities for local reasons. These arrangements are all subject to specific audit standards, whether or not the firm issuing the audit report assumes responsibility for the work of the other firm or divides responsibility for the work.

If the firm issuing the audit report assumes responsibility for the work of the other firm or other persons, the Committee believes that none of the proposed disclosures should be required. It would potentially cause confusion about the degree of responsibility undertaken by the firm issuing the audit report. In addition, companies engaging auditors are often reluctant to engage an auditor who will refer to other auditors in its report, and can be equally reluctant to tolerate the proposed disclosures where there is no divided responsibility. This would be particularly deleterious to smaller registered accounting firms who do not have national coverage.

If the firm issuing the audit report divides responsibility by making reference in its audit report to another auditor, there are already specific disclosure requirements in AU sec 543 and Rule 2-05 of Regulation S-X. The Committee has no objection to disclosure of the name and location of the other independent public accounting firms; however, since their report must be filed pursuant to Rule 2-05 of Regulation S-X except in annual reports under the Securities Exchange Act of 1934, it may be more expeditious for the Securities and Exchange Commission to amend its rules to require that the reports of the other independent public accounting firms be filed as an exhibit to the Annual Report.

The Committee is aware from media reports that there have been questions about the quality of audits done by independent public accounting firms headquartered in countries other than the U.S. The Committee is also aware from media reports that the PCAOB has had difficulty in carrying out its inspection program in some of those instances. These cases are too isolated to warrant the broad disclosures that the PCAOB is proposing. The Committee suggests that the solution is to continue negotiate extension of its inspection program outside of the U.S., and to consider appropriate action if the accounting firm issuing the audit report cannot demonstrate that has taken required steps under auditing standards to assure the quality of audit work done by other firms or other persons.

## 2. Details of the Disclosure Requirements

21. Would disclosure in the audit report of other participants in the audit provide useful information to investors and other users of the audit report? Why or why not?

No. See response to Question 20.

22. Are the proposed requirements sufficiently clear and appropriate with respect to identifying other participants in the audit? If not, how should the proposed requirements be revised?

The Committee does not have any specific response to this question. However, if the firm issuing the audit report assumes responsibility for the work of the other firm or other persons, the Committee believes that none of the proposed disclosures should be required.

23. Are the proposed requirements sufficiently clear as to when the name of a public accounting firm or a person would be required to be named in the audit report? Is it appropriate that the name of the firm or person that is disclosed is based on whom the auditor has the contractual relationship?

The Committee does not have any specific response to this question. However, if the firm issuing the audit report assumes responsibility for the work of the other firm or other persons, the Committee believes that none of the proposed disclosures should be required.

24. Would disclosure in the audit report of other participants in the audit have an impact on the ability of independent public accounting firms to compete in the marketplace? If so, how would the proposed requirement impact a firm's ability to compete in the marketplace?

As pointed out in the Committee's response to Question 20, companies engaging auditors are often reluctant to engage an auditor who will refer to other auditors in its report, and can be equally reluctant to tolerate the proposed disclosures where there is no divided responsibility. This would be particularly deleterious to smaller registered accounting firms who do not have national coverage.

25. Are there any challenges in implementing a requirement regarding the disclosure of other participants in the audit? If so, what are the challenges and how can the Board address them in the requirements?

The other firms or individuals participating in the audit may object to disclosure of their name when they have not performed sufficient procedures constituting a basis to issue their own audit report. In addition, naming the other firms or individuals may subject them to being named in litigation, along with concomitant expense regardless of the merit (or lack thereof) of the litigation. Further, other firms or individuals, especially those headquartered in countries other than the U.S. may be unwilling to permit use of their name if they have not performed an audit.

If the firm issuing the audit report assumes responsibility for the work of the other firm or other persons, the Committee believes that none of the PCAOB's proposed disclosures should be required.

### 3. Disclosure of Percentage of the Total Hours in the Most Recent Period's Audit, Excluding EQR and Appendix K review

26. Is the percentage of the total hours in the most recent period's audit, excluding EQR and Appendix K review, a reasonable measure of the extent of other participants' participation in the audit? If not, what other alternatives would provide meaningful information about the extent of participation in the audit of other participants?

The Committee questions why EQR hours are proposed to be excluded, as they are part of the audit. While the reviewer is not performing substantive procedures or obtaining audit evidence, the reviewer does not work in a vacuum. The reviewer usually interacts with the engagement team and may raise matters that require additional audit procedures and/ or audit evidence. As such, they are usually considered part of the audit effort, albeit technically not part of the "team."

The Committee also questions the mechanics of excluding EQR hours; is it all EQR hours at all locations, or EQR hours at locations other than those incurred directly by the headquarters audit firm? These hours are included in the proxy statement fee disclosure, so it may be easier to not exclude them for the PCAOB proposed disclosure.

Using hours as a measure of other participant's participation in the audit may not be the best measure of that participation, particularly if they are for locations outside the U.S. Hourly audit rates vary widely around the world, and audit hours are often disproportionately higher in countries where rates are low. In addition, normal annual rotation of locations where audit procedures are performed, and changes in the scope of audit procedures, can cause variations in hours from year-to-year. Both of these can distort the meaningfulness of the disclosure using hours.

In addition, other firms and individuals may be reluctant to disclose audit hours, especially if they do not disclose them to the client locally or the headquarters audit firm.

The Committee suggests that a better way to measure the extent of other participants' participation would be audit fees. While no measure is perfect, this measure would reduce the potential distortion that use of hours would cause. Further, the Committee suggests that audit fees be based on the same data that is currently used in the disclosure of audit fees under the SEC proxy rules with the addition of fees for participants other than the principal accountant. This would avoid duplication of effort that would occur if hours were used, and would utilize data that is already understood and likely more available, eliminating unforeseen questions that might arise if hours were used.

Whatever measure is used, consideration needs to be given to procedures performed by other participants beyond those required by the headquarters auditor. These are most commonly additional procedures to render a local audit report at the request of local management or a statutory audit report. The Committee questions whether information (hours or fees) related to these procedures should be included in the disclosures proposed by the PCAOB. The information may be easily isolated if performed after procedures required by the headquarters auditor, but isolation of the information if the additional procedures are performed simultaneously may be problematic.

Notwithstanding the foregoing comments, the Committee believes that if the firm issuing the audit report assumes responsibility for the work of the other firm or other persons, none of the proposed disclosures should be required as to the other firms or individuals and under whatever measure is used (hours, fees or something else), and the data for the participation of such other firm or individual should be included with data for the headquarters firm.

27. What challenges, if any, would requiring the percentage of audit hours as the measure of the other participants' participation present?

See response to Question No. 26. Audit hours may not be the best measure and use of hours coupled with changes in scope of audit procedures can be distortive. There may be difficulty in getting the data as to hours. Use of audit fees would avoid most of these challenges.

Notwithstanding the foregoing comments, the Committee believes that if the firm issuing the audit report assumes responsibility for the work of the other firm or other persons, none of the proposed disclosures should be required as to the other firms or individuals and under whatever measure is used (hours, fees or something else), and the data for the participation of such other firm or individual should be included with data for the headquarters firm.

28. Should the Board require discussion of the nature of the work performed by other participants in the audit in addition to the extent of participation as part of the disclosure? If so, what should be the scope of such additional disclosures?

No. Auditors are currently not required to disclose any information as to audit scope and procedures and the Committee does not believe any such disclosures should be required. Any disclosure as to work performed by other participants, which would be for a fraction of the audit, would be of no use to investors and would call into question the responsibility of the headquarters firm for its opinion on the financial statements resulting from the audit.

29. Would the proposed disclosure of the percentage of hours attributable to the work performed subsequent to the original report date in situations in which an audit report is dual-dated be useful to users of the audit report?

No. The hours or fees attributable to the work performed subsequent to the original report date is usually minor in relation to total audit hours or fees. With a reasonable *de minimus* provision, which the Committee recommends be part of any such disclosure, it does not seem to the Committee that any such disclosure would often be required.

30. Is the example disclosure in the proposed amendments helpful? Would additional examples be helpful? If so, what kind?

The Committee believes that if disclosure is required of information for other firms or individuals for which the headquarters firm assumes responsibility, that information should be presented separately from information for individuals and firms for which the headquarters firm does not assume responsibility.

Notwithstanding the foregoing comment, the Committee believes that if the firm issuing the audit report assumes responsibility for the work of the other firm or other persons, none of the proposed disclosures should be required as to the other firms or individuals and under whatever measure is used (hours, fees or something else), and the data for the participation of such other firm or individual should be included with data for the headquarters firm.

**4. Thresholds**

31. Should disclosure of the names of all other participants in the audit be required, or should the Board only require disclosing the names of those whose participation is 3% or greater? Would another threshold be more appropriate?

The Committee believes a *de minimus* provision to eliminate disclosure of small participants is necessary. The Committee would prefer a higher threshold, for example 5%. In addition, if the total of all other participation is below a certain *de minimus* amount, for example 10% of total hours or fees, no disclosure of the other participation should be required.

Notwithstanding the foregoing comments, the Committee believes that if the firm issuing the audit report assumes responsibility for the work of the other firm or other persons, none of the proposed disclosures should be required as to the other firms or individuals and under whatever measure is used (hours, fees or something else), and the data for the participation of such other firm or individual should be included with data for the headquarters firm.

32. Is the proposed manner in which other participants in the audit whose individual extent of participation is less than 3% of total hours would be aggregated appropriate?

The Committee takes no exception to the aggregation.

Notwithstanding the foregoing comments, the Committee believes that if the firm issuing the audit report assumes responsibility for the work of the other firm or other persons, none of the proposed disclosures should be required as to the other firms or individuals and under whatever measure is used (hours, fees or something else), and the data for the participation of such other firm or individual should be included with data for the headquarters firm.

**B. Disclosure When Dividing Responsibility**

33. Are the requirements to disclose the name and country of headquarters' office location of the referred-to firm sufficiently clear and appropriate?

They are clear, but not appropriate. See response to Question No. 30 as to presenting separately information for other participants in the audit for which the headquarters firm assumes responsibility vs. other participants.

34. Are there any challenges associated with removing the requirement to obtain express permission of the referred-to firm for disclosing its name in the audit report? If so, what are the challenges and how could they be overcome?

The Committee believes that permission should be obtained in all cases. First, it is a matter of common courtesy. Second, it will avoid issues around getting permission at a later date if it is required.

35. In situations in which the audit report discloses both the referred-to firm and other participants in the audit, would using different disclosure metrics (e.g., revenue for the referred-to firm and percentage of the total hours in the most recent period's audit for the other firms and persons) create confusion? If so, what should the disclosure requirements be in such situations?

The Committee believes that if the firm issuing the audit report assumes responsibility for the work of the other firm or other persons, none of the proposed disclosures should be required as to the other firms or individuals and data for the other participants should be included with data for the headquarters firm.

The Committee does not believe use of different metrics would cause much confusion.

We would be glad to discuss our opinions with you further should you have any questions or require additional information.

Sincerely,

Howard Sibelman
Chair
Accounting Principles and Auditing Standards Committee
California Society of Certified Public Accountants