



6 January 2012

The Office of the Secretary,  
Public Company Accounting Oversight Board,  
1666 K Street, NW  
Washington, DC, 20006-2803 USA

Email: [comments@pcaobus.org](mailto:comments@pcaobus.org)

Sir / Madam,

**PCAOB Rulemaking Docket Matter No. 29  
IMPROVING THE TRANSPARENCY OF AUDITS:  
PROPOSED AMENDMENTS TO PCAOB AUDITING STANDARDS AND FORM 2**

The Institute of Chartered Accountants in Australia (Institute) is pleased to have the opportunity to respond to the above Rulemaking Docket. The Institute is Australia's premier accounting body, and represents over 55,000 professional accountants. Our members work in diverse roles across public practice, commerce, industry, government and academia throughout Australia and internationally.

The Institute is a founding member of the Global Accounting Alliance (GAA), the international accounting coalition which provides reciprocal arrangements with ten other leading accounting bodies in the world. The GAA represents more than 780,000 members world-wide and includes leading professional accounting organisations from the USA, Canada, Hong Kong, England & Wales, Ireland, Scotland, Japan, Germany, New Zealand and South Africa. The Institute is the only Australian accounting body within the alliance.

As mentioned in previous submissions to the PCAOB we are of the view that, as a premier audit regulatory body, the PCAOB and its findings influence audit regulation globally and it is for this reason we offer our comments on this matter.

In summary we fully support efforts to improve audit quality. However, we have some reservations about the extent to which the proposed amendments to PCAOB auditing standards will actually contribute to these endeavours.

**Audit partner name and signature**

In Australia the requirement for audit reports to be signed in both the name of the firm and the engagement partner has been in place for many years now. Consequently these proposals would be considered to be relatively non controversial in this jurisdiction.

For the sake of clarity, the engagement partner is the individual who takes overall responsibility for the conduct of the audit in accordance with legislative requirements, auditing standards as well as the requirements of the firm.

We acknowledge that identification of the audit partner contributes to transparency and may be of some use to investors and other stakeholders. However, the extent to which this disclosure has changed firm and individual partner behaviour, and / or contributed to an improvement in audit quality, is unclear.

**Customer Service Centre**  
1300 137 322

**NSW**

33 Erskine Street  
Sydney NSW 2000  
GPO Box 9985  
Sydney NSW 2001  
**Phone** 61 2 9290 1344  
**Fax** 61 2 9262 1512

**ACT**

L10, 60 Marcus Clarke Street  
Canberra ACT 2601  
GPO Box 9985  
Canberra ACT 2601  
**Phone** 61 7 3233 6500  
**Fax** 61 2 6122 6122

**Qld**

L32, 345 Queen Street,  
Brisbane Qld 4000  
GPO Box 9985  
Brisbane Qld 4001  
**Phone** 61 7 3233 6500  
**Fax** 61 7 3233 6555

**SA / NT**

L11, 1 King William Street  
Adelaide SA 5000  
GPO Box 9985  
Adelaide SA 5001  
**Phone** 61 8 8113 5500  
**Fax** 61 8 8231 1982

**Vic / Tas**

L3, 600 Bourke Street  
Melbourne Vic 3000  
GPO Box 9985  
Melbourne Vic 3001  
**Phone** 61 3 9641 7400  
**Fax** 61 3 9670 3143

**WA**

Ground, 28 The Esplanade  
Perth WA 6000  
GPO Box 9985  
Perth WA 6848  
**Phone** 61 8 9420 0400  
**Fax** 61 8 9321 5141

Indeed there is no empirical evidence of which we are aware that this has enhanced audit quality or reduced audit failure. The Australian experience in this regard is no different from other jurisdictions where the engagement partner is not named in the audit report. In our view, therefore, this step is peripheral to the development of audit quality.

As mentioned in previous submissions to the PCAOB, in our view the focus should continue to be on ongoing improvement in enhancing audit quality, by better understanding the drivers of audit quality and continuing to enhance the role of the audit committee.

### **Disclosure of other persons and firms involved in the audit**

We do not support the proposal to disclose in the audit report the names of other accounting firms and persons that have taken part in the audit. We understand the PCAOB's desire to improve transparency by means of this proposal. But we consider that, while well-intentioned, if the proposal is implemented it is more likely to add to confusion rather than enhance transparency.

In situations where the engagement partner uses the work of other accounting firms or experts, the auditing standards are quite clear that the partner has to satisfy himself or herself as to the competency of those to whom work is being assigned. The engagement partner is then required to monitor and review the work of the other party to ensure they have sufficient appropriate audit evidence of suitable quality to satisfy the requirements of that engagement partner and of their firm.

Responsibility for the quality of the audit is thus unequivocally that of the engagement partner.

In our view the auditor using the work of others is far better placed to make the assessment by direct processes of interrogation or inspection than the investing public or their advisers.

Adding a list of others involved in the conduct of the audit creates the risk of the lines of responsibility for the conduct of the audit becoming blurred and adding to stakeholder confusion, rather than enhancing transparency.

A better place for the discussion of the roles various parties play in the conduct of the audit is the audit committee, which has a major responsibility to shoulder in ensuring that the audit process is effective.

We would be happy to elaborate on the foregoing matters should you wish.

Yours sincerely



**Lee White FCA**  
Chief Executive Officer  
Institute of Chartered Accountants in Australia