

Ashley W. Burrowes PhD, CMA, FCA  
*Visiting Professor*  
Te Whare Wānanga o Awanuiārangī  
*Erskine Scholar*  
University of Canterbury  
Member Bakersfield Chapter, CalCPA

John Karayan JD, PhD  
Professor of Accounting  
Woodbury University, Burbank, CA  
Member of CalCPA

February 1, 2014

Secretary  
PCAOB  
1666 K Street  
Washington, DC 20006-2803

Dear PCAOB

**RE: Release # 2013-009, PCAOB Rulemaking Docket Matter # 029**

Convergence 'at all costs' seems to be the reaction amongst professionals on several of the suggestions put forward in this Exposure Draft.

Dragons and kite flying are traditions on this day to celebrate the Chinese New Year. It is a shame that comments due in circa 32 hours from now smack of kite flying by the PCAOB staff, who are obviously being influenced by their cross Atlantic colleagues.

Cultures are different and the predisposition of the EU with its protective umbrella for investors and citizens, often arising from the cradle to grave care by some EU member countries, may not best serve the Public Interest of US Investors who operate in a less regulated, more market responsive environment. Also, as European companies are often dominated by "insider" shareholders, the public disclosures may be more appropriate in Europe.

This perhaps manifests the problem of 'convergence'. *One size does not fit all.*

It should be noted that the UK Companies Act was altered in recent years to incorporate Lead auditor disclosure. More recently, Glaxo Smith Kline used a safe harbor provision of that Act to NOT disclose the lead auditor's name. Was the spirit of the UK companies Act being circumvented for specious reasons? It seems that *One size does not fit all* in the UK! Will such an escape provision for public companies be included in any US standard?

Dr. Ralph Estes , CPA, Emeritus professor at American University, Washington DC ,co-founder and vice president of The Center for Advancement of Public Policy, in his book "The Auditor's Report and Investor Behavior" summarized the effect of audit reports on user behavior as:

***Significant Effects were found in a few studies, but these were***

***outnumbered by studies in which no significant effects were found (p. 29).***

In 2011 Francine McKenna, a Forbes contributor asked:

What are audit firms hiding? Don't investors, and Audit Committees, have a right to know everything about the men and women they're counting on to provide multi-million dollar audit opinions?

This is the question to resolve.

**OUR ANSWERS TO QUESTIONS FOR COMMENTERS**

1. Would the (re)proposed requirements to disclose the engagement partner's name and information about other participants in the audit provide investors and other financial statement users with useful information? How might investors and other financial statement users use the information?

***The (re)proposed requirements, based upon prior studies, are unlikely to provide investors and other financial statement users with useful information.***

2. Would the name of the engagement partner or the extent of participation of other participants be useful to shareholders in deciding whether to ratify the company's choice of registered firm as its auditor? If so, how?

***Remote***

3. Over time, would the (re)proposed requirement to disclose the engagement partner's name allow databases and other compilations to be developed in which investors and other financial statement users could track certain aspects of an individual engagement partner's history, including, for example, his or her industry expertise, restatement history, and involvement in disciplinary proceedings or other litigation?

***Not likely***

4. ***Likely to be unnecessary duplication of work currently being done by independent advisors. Could denigrate the value of the audit report.***

5. ***Possible not probable***

6. ***No***

7. Would the (re)proposed requirements to disclose the engagement partner's name and information about other participants in the audit either promote or inhibit competition among audit firms or companies?

***In a pure market 'yes' but the providers of audit services are limited in number and thus the market for their services is distorted.***

8. Would the (re)proposed disclosure requirements mislead investors and other financial statement users or lead them to make unwarranted inferences about the engagement partner or the other participant in the audit? If so, how? Would there be other unintended consequences? If so, what are those consequences, and how could they be mitigated?

***Probably. However, PCs should prominently publish their AC minutes which identify the engagement partner.***

9. What costs could be imposed on firms, issuers, or others by the (re)proposed requirement to disclose the name of the engagement partner in the auditor's report? Please provide any available empirical data. Will there be greater or lesser effects on EGCs or auditors of EGCs than on other issuers or auditors of other issuers?

***Minimal***

10. What costs could be imposed by the application of the consent requirement to an engagement partner who is named in the auditor's report? Please discuss both administrative costs to obtain and file consents with the SEC, as well as any indirect costs that might result. How could insurance or other private contracts affect these costs?

***Courts could consider named engagement partners as co-defendants in any litigation. Should engagement partners be safe-harbored? Probably not.***

11. Would application of the consent requirement to an engagement partner named in the auditor's report result in benefits, such as improved compliance with existing auditing requirements? Will there be greater or lesser effects on EGCs or auditors of EGCs than on other issuers or auditors of other issuers?

***No. One size should fit all in this instance.***

12. Would the (re)proposed amendments increase the engagement partner's or the other participants' sense of accountability? If so, how? Would an increased sense of accountability for engagement partners or other participants have an impact on audit quality? If yes, please provide specifics.

***Possibly. However, the public display of the signing off on the audit report in front of the Annual meeting attendees would bring more accountability especially if it was webcamed and accessible on the company's web site for a period of years and providing accountability to all the investing public and those unable to attend the Annual meeting.***

13. What costs could be imposed on firms, issuers, or others by the (re)proposed requirement to disclose the information about other participants in the auditor's report? Please provide any available empirical data. Will there be greater or lesser effects on EGCs or auditors of EGCs than on other issuers or auditors of other issuers?

***Conjectural.***

14. What costs could be imposed by the application of the consent requirement to other firms that are named in the auditor's report? Please discuss both administrative costs to obtain and file consents with the SEC, as well as any indirect costs that might result. How could insurance or other private contracts affect these costs?

**Miniscule.**

15. Would application of the consent requirement to other firms named in the auditor's report result in benefits, such as improved compliance with existing requirements? Will there be greater or lesser effects on EGCs or auditors of EGCs than on other issuers or auditors of other issuers?

**No.**

16. Would disclosure of the extent of other participants' participation, within a range rather than as a specific number, provide sufficiently useful information to investors and other financial statement users?

**Probably.**

Why or why not?

**Speculative.**

Would the (re)proposed requirement to disclose the extent of other participant participation within ranges impose fewer costs than a specifically identified percentage?

**Not likely.**

17. Would increasing the threshold for individual disclosure of other participants to 5% from the originally proposed threshold of 3% improve the relevance of the disclosure? Would it reduce potential costs? Would another threshold, such as 10%, be more appropriate? If so, why?

**Keep 3%. Aggregation offsetting a concern.**

18. Under the (re)proposed amendments disclosure would not be required when audit work is offshored to an office of the firm that issues the auditor's report (even though that office may be located in a country different from where the firm is headquartered), but disclosure would be required when audit work is performed by a foreign affiliate or other entities that are distinct from the accounting firm issuing the auditor's report.
- a. Should all arrangements whether performed by an office of the firm issuing the auditor's report in a country different from where the firm is headquartered, a foreign affiliate or another entity that is distinct from the accounting firm issuing the auditor's report be disclosed as other participants in the audit? Why or why not?

**No.**

- b. Is it sufficiently clear how the disclosure requirement would apply in the context of offshoring? If not, how could this be made clearer?

**Overboard. Detail for the PCAOB staff.**

19. Are there special considerations for alternative practice structures or other nontraditional practice structures that the Board should take into account regarding the (re)proposed requirement to disclose other participants in the audit?

**No.**

20. Under the (re)proposed amendments, the auditor would be required to include the extent of participation of persons engaged by the auditor with specialized skill or knowledge in a particular field other than accounting and auditing ("engaged specialists") in the total audit hours and to disclose the location and extent of participation of such persons. The engaged specialists would not be identified by name, but would be disclosed as "other persons not employed by the auditor."

- a. Is it appropriate to require disclosure of the location and extent of participation of engaged specialists? If not, why?

**Yes.**

- b. Would there be any challenges in or costs associated with implementing this requirement for engaged specialists? If so, what are the challenges or costs?

**Possibly, but value may outweigh cost.**

21. In the case of other participants that are not public accounting firms (such as individuals, consulting firms, or specialists), is the participant's name a relevant or useful piece of information that should be disclosed? Does disclosure of the participant's location and the extent of the participant's participation provide sufficient information?

**Yes.**

22. If the Board adopts the (re)proposed amendments for auditors to disclose the name of the engagement partner and certain information about other participants in the audit in the auditor's report, should the Board also require firms to disclose the same information on Form 2 or another PCAOB reporting form? Why or why not?

**Yes. Consistency and comparability.**

23. Are the (re)proposed amendments to disclose the engagement partner's name and information about other participants in the audit appropriate for audits of brokers and dealers? If yes, are there any considerations that the Board should take into account with respect to audits of brokers and dealers?

**All registrants should be treated alike.**

24. Should the (re)proposed disclosure requirements be applicable for the audits of EGCs? Are there other considerations relating to efficiency, competition, and capital formation that the Board should take into account when determining whether to recommend that the Commission approve the (re)proposed amendments to disclose the engagement partner's name and information about other participants in the audit for application to audits of EGCs?

***We are of the opinion that the disclosure requirements, if adopted, should apply equally to EGCs.***

25. Are the disclosures that would be required under the (re)proposed amendments either more or less important in audits of EGCs than in audits of other public companies? Are there benefits of the (re)proposed amendments that are specific to the EGC context?

**No**

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We conclude, as you do, that as the auditor's report is retrospective, and disclosure of an engagement partner's identity in the auditor's report provides information only about the most recent period's audit of the financial statements. You raise a valid point in that it does not provide information about the identity of the next period's engagement partner, which may be of interest to shareholders. Changes in the engagement partner could raise further questions about the identity and qualifications of the new engagement partner. We propose that questions and answers about engagement partners could be informed by additional public information or by the AC minutes being made publicly accessible.

You recognize that the engagement partner has the most direct relationship with the audit committee and senior management and serves as the **primary interface** between the audit firm and the audit committee and senior management **and s/he reports to the stockholders!**

A prime consideration should be the refusal of Chinese audit firms -- based on Chinese "law" -- to satisfy US regulators repeated requests for information directly related to audit quality (which are routinely answered by U. S. audit firms). We would tend to heavily discount the usefulness of material audit assurances given to lead auditors by correspondent "audit" firms located in jurisdictions which allow them to avoid oversight. Indeed, lead auditors should be specifically required to test and provide an opinion on the usefulness of assurances from such correspondent firms.

More transparency is advocated.

Please do not hesitate to email or phone if our responses require further elucidation.

Sincerely,

*AWBurrowes*

Ashley W. Burrowes PhD, CMA, FCA  
*Visiting Professor*  
Te Whare Wānanga o Awanuiārangi  
*Erskine Scholar in Accounting*  
University of Canterbury  
[ashleyburrowes@gmail.com](mailto:ashleyburrowes@gmail.com); 818 478 6606

John Karayan JD, PhD  
*Professor of Accounting*  
Woodbury University, Burbank