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Public Company Accounting Oversight Board
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Re: PCAOB Rulemaking Docket Matter No. 029, *Supplemental Request for Comment: Rules to Require Disclosure of Certain Audit Participants on a New PCAOB Form*

Dear Board Members and Staff:

Grant Thornton LLP appreciates the opportunity to comment on the Public Company Accounting Oversight Board's ("PCAOB" or "Board") *Supplemental Request for Comment: Rules to Require Disclosure of Certain Audit Participants on a New PCAOB Form* ("Supplemental Request"). We commend the Board's thoughtful deliberations in responding to comments received on the reproposal[1], and we appreciate the opportunity to submit additional comments on the Board's proposed revisions in this Supplemental Request.

We support the Board's initiative to improve the transparency of audits to investors and other stakeholders; however, we continue to be concerned with the validity of the premise that identifying the engagement partner will accomplish the goals of improving audit quality and providing meaningful information to investors. As noted in our previous letter[2], we believe that simply providing the name of the engagement partner is unlikely to be useful in the context of evaluating audit quality and will more likely result in a focus only on those partners associated with particular adverse audit outcomes, such as restatements. This association may or may not be an appropriate conclusion as users of this information will rarely have sufficient context with which to evaluate the circumstances that resulted in the specific adverse outcome.

Notwithstanding our concerns over the disclosures related to the engagement partner, should the Board adopt this proposal, we believe using a form similar to Form AP, *Auditor Reporting of Certain Audit Participants* to disclose the engagement partner and certain other participants in the audit is a better alternative than including the information in the auditor's report. We also believe that

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[1] PCAOB Release No. 2013-009 dated December 4, 2013
[2] Grant Thornton comment letter dated February 3, 2014 Re: PCAOB Rulemaking Docket Matter No. 029, Improving the Transparency of Audits: Proposed Amendments to PCAOB Auditing Standards to Provide Disclosure in the Auditor's Report of Certain Participants in the Audit

adopting this type of reporting will address some of the liability concerns and most of the concerns regarding consents for future filings that were raised in response to the original proposal[3] and reproposal to include this information in the auditor's report. Given our concerns noted above, we strongly recommend that the Board continue to evaluate through inspections, outreach, general observations and possibly formal study of how such information is being used by the investment community and other stakeholders, including issuers. Such evaluation could identify potential unintended or inappropriate consequences of making such information available.

With respect to how accounting firms will summarize and report information within the parameters set forth in the Supplemental Request, should the requirements be adopted as proposed, we foresee potential operational challenges, which are discussed below along with recommendations for the Board's consideration and responses to certain questions within the Supplemental Request.

Potential operational challenges

Filing deadline

We appreciate the desire to provide timely information to stakeholders with regard to the engagement partner and certain other participants in an audit. However, we believe that ensuring the accuracy of that information is more important than providing potentially less accurate information in "real-time". The type and volume of information proposed in the Supplemental Request will require meaningful time to gather and verify. We believe accurate information reported on the PCAOB's prescribed form is of greater importance and use to investors than the speed with which the information is made available.

In light of this and the operational challenges discussed below, we encourage the Board to reconsider the proposed filing deadlines. We propose initially requiring the firm's information be filed on a periodic basis, such as annually. We believe the usefulness and quality of information increases as information is gathered over time. Since it is not known how exactly the disclosure of the partner name and other participants in the audit will be used or its impact on the marketplace, we believe that starting with an annual filing requirement could avoid potential unintended negative consequences. Over time, the Board could then, through post-implementation review, evaluate how this information is being used in the marketplace and re-evaluate the frequency of the firm's providing such information.

Single form reporting

As set forth above, we recommend that the Board consider alternative filing deadlines that would allow for more accurate firm reporting of the required information. In that regard, we also believe the Board should allow audit firms the ability to file information regarding multiple, related audit reports on a single form. This could alleviate some of the administrative burden, particularly with respect to audit reports for entities that file daily or weekly information, such as investment companies and unit investment trusts. As an example, a single unit investment trust sponsor

[3] PCAOB Release No. 2011-007 dated October 11, 2011

entity could require many hundreds of audit reports in a 12-month period. We believe that in those circumstances requiring single form reporting for each individual report issuance would be quite onerous, without providing any additional value to investors.

Hours-based reporting

We agree that measuring participation in the audit using hours is a reasonable benchmark. However, as described in more detail below, we believe the participation based on hours should be revised to focus on disclosing significant participation of those firms. In addition, given the proposed deadlines for filing firm information with the PCAOB, it is unclear how auditors will be able to accumulate hours incurred during the wrap-up and document-gathering phase prior to the required 45-day audit file archive date while still meeting the proposed 30 day filling requirement with any type of accuracy. This could be particularly challenging in audits involving other firms. While the use of estimates may be an option, we note that such estimations may result in less accurate reporting as there may be inconsistencies in how each firm uses estimates within their calculations. In our view, as noted above, accuracy is more important than expediting disclosures; accordingly we recommend periodic, such as annual, reporting.

A related potential challenge with hours-based reporting relates to audits where the foreign component is also subject to statutory audit requirements. For example, the work performed by the foreign member firm for the consolidated U.S. audit is used as audit evidence for statutory audit purposes. The hours incurred for those procedures are typically charged directly to the statutory audit and may not be readily discernible for reporting back to the U.S. lead auditor. Changing the filing requirements would provide firms with sufficient time to collect and report relevant hours to the parent audit firm timely and accurately.

Disclosures

We agree with excluding engaged specialists and non-accounting firm participants from the scope of firm information. We believe such exclusion is appropriate given the possible unintended consequences of the wide variety of how such information would be accumulated and the potential inconsistent application of the approach discussed in the Supplemental Request. This approach leaves much to interpretation and hinges on how firms have elected to legally structure their businesses; thus, firms may not apply it consistently, limiting the comparability of disclosures among firms. Therefore, we encourage the Board to exclude such participants from the final rule.

We are also supportive of using ranges of percentages for disclosure of other public accounting firms participating in the audit. While useful, we are concerned that the very specific proposed ranges could lead to an inappropriate conclusion that moving from one range to another range could be construed as "meaningful" information to the investors and other stakeholders. Our general view is that what is meaningful to investors would be the firms that played a substantial role (greater than 20% of the total hours); the firms that played a more than insignificant role (5-20% of total hours) and the firms that were involved but not to a significant extent (less than 5%). We believe this breakdown could be useful to users from an involvement perspective, without requiring the granular bands of disclosure that without any context (for example, on what areas were the hours spent) could result in inappropriate conclusions by the readers.

Voluntary disclosure in the auditor's report

We believe providing for voluntary disclosure will still pose risks and operational hurdles. We continue to believe that including such disclosures in the auditor's report will trigger consent requirements, which could delay filings and capital-raising activities. We remain concerned that providing a consent may cause one to be deemed the "maker" of a false statement in the financial statements under current judicial interpretations of Section 10(b) of the Securities Exchange Act of 1934. Moreover, we continue to share the concerns expressed by others as to increased liability under Section 11 of the Securities Act of 1933, especially when considering Section 11's lack of a causation or scienter requirement.

If the Board specifically includes or otherwise promotes the notion of voluntary disclosure, we believe this would cause inconsistent application of the standard and introduce risk that outweighs the benefits of disclosure directly in the auditor's report.

Economic considerations

We believe requirements to provide additional information about the audit will result in additional time and cost for firms and the other audit firms involved in the audit. Complying with the rule will require firms to implement new policies and controls and identify additional resources to manage the process and form filing. Additionally, it may require firms to track time differently and/or implement new systems.

Scope

We continue to support aligning any changes adopted for issuers with similar requirements for emerging growth companies and issuer brokers and dealers. However, we believe non-issuer brokers and dealers should be excluded from this requirement since the proposal is primarily focusing on providing information for the benefit of investors, and investors do not directly invest in non-issuer brokers and dealers. As such, disclosure of the engagement partner and certain other participants in audits of non-issuer brokers and dealers would not be beneficial to the general investing public.

Effective date

We believe additional time will be needed for firms to implement processes and controls over the preparation and submission of the required firm information. Time will also be needed to educate and assist member firms of our global network and other audit firms to establish and implement reporting processes, particularly in countries where component audit work is often used as audit evidence for the statutory audit (as discussed above). Therefore, we recommend the reporting requirement be effective for auditor's reports dated on or after December 31, 2016 or six months after the SEC approves the requirements, whichever is later. This additional time will enable firms to be operationally prepared to comply with the reporting requirements and vet any implementation issues that could arise.

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We would be pleased to discuss our comments with you. If you have any questions, please contact Trent Gazzaway, National Managing Partner of Professional Standards, at (704) 632-6834 or Trent.Gazzaway@us.gt.com.

Sincerely,

Grant Thornton LLP