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February 4, 2014

Via e-mail: comments@pcaobus.org

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

Re: PCAOB Release No. 2013-009
PCAOB Rulemaking Docket Matter No. 029, December 4, 2013
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

The Accounting Principles and Auditing Standards Committee (the "Committee") of the California Society of Certified Public Accountants ("CalCPA") respectfully submits its comments on the referenced proposal. The Committee is the senior technical committee of CalCPA. CalCPA has approximately 40,000 members. The Committee consists of 53 members, of whom 47 percent are from local or regional CPA firms, 27 percent are from large multi-office CPA firms, 12 percent are sole practitioners in public practice, 10 percent are in academia and 4 percent are in international CPA firms. Members of the Committee are with CPA firms serving a large number of public and nonpublic business entities, as well as many non-business entities such as not-for-profits, pension plans and governmental organizations.

The Committee's Overall Comments

The Committee appreciates this opportunity to comment on the PCAOB's reproposed amendments. While the Committee has provided its responses to the specific questions set forth in the reproposed amendments, we also want to address our reasons for strongly opposing its issuance.

The Committee believes that reproposed amendments to disclose the engagement partner's name and information about other participants in the audit are seriously misguided and will be of little use to anyone. Investors and other users of financial statements want reliable financial data. Their purported interest in more "transparency" about auditors stems from concerns about reliability of financial data, and not from any interest, *per se*, in investigating auditors. Further, any research that they may be able to do based on the reproposed disclosures is likely to be inconclusive except as it might relate to certain foreign auditors (as explained below). Auditors are already extensively regulated through state licensing laws, SEC laws and regulations,

PCAOB requirements and oversight by the SEC and the PCAOB. The basic reason cited for the reproposed disclosures is to overcome the lack of transparency about those who conduct the audit and provide information useful to investors and other financial statement users but nowhere does the PCAOB provide any objective information as to how this might be useful to investors or other users or improve audit quality; in fact, there is no empirical data on the usefulness of this information, and the PCAOB provides nothing beyond opinions and conjecture about why such disclosures might be useful. Firms and individual auditors right now have every necessary incentive to improve audit quality where required; they are monitored by audit committees; they are extensively regulated; and, they are subject to potential litigation, including financial exposure and adverse publicity for the firm and the individuals involved in the audit. More disclosures and transparency are unlikely to have any effect on the engagement partner's or audit firm's incentive to do quality audits that is not already present, so they will not improve the reliability of financial data and therefore there is no point to the reproposed disclosures.

And what are investors and other users to do if they do have questions or issues based on the reproposed disclosures? Those disclosures would only be a part of the broad spectrum of information that is available, and since they do not directly affect financial data, are not likely to affect analysis of that financial data unless they point to potential questions about reliability of that financial data, and that is not likely to occur unless the named engagement partner has been the subject of adverse publicity, a firm relied upon by the primary auditor is felt to be unreliable, or other extreme and rare situations. But, the first and best line of defense in these situations is the entity's audit committee, which would have far greater access to relevant information than is available through the reproposed disclosures. The reproposed disclosures do not provide any information that is conclusive as to the reliability of financial data; they only allow inferences to be drawn, and those inferences may be favorable or unfavorable, depending on the nature of the disclosures, and the inferences may or may not be correct. Investors and users might seek more information from management, as they do concerning other disclosures; ability to get more information is limited by SEC disclosure rules and is therefore often limited. So, the disclosures, except in very rare circumstances, are likely to be of little use to investors and other users.

Publicly available adverse information about engagement partners is rare, and it is even rarer for the same person to be the subject of publicly available adverse information a second time on a different engagement. So, it is unlikely that attempting to link an engagement partner's name with prior adverse information will be fruitful. Trying to make inferences about an engagement partner's qualifications based on other engagements in which he/she may have been involved is done in the first instance by the firms as part of its assignment processes, and in the second instance by the audit committee before accepting assignment of the engagement partner. To now provide a third avenue through public disclosure of the engagement partner's name is a waste of time.

There is one aspect of the disclosure about other participants in the audit that has merit, but requires further study. The Committee is aware of the publicity concerning the quality of certain audits by auditors located in foreign countries, be they foreign offices of U.S. firms, foreign affiliates of U.S. firms, or firms not affiliated with the primary U.S. auditor. The Committee is also aware that the PCAOB has had difficulty in including those audits and the related auditors in its inspection program. The PCAOB inspection problem has led to increased confidence in

registered firms subject to inspection. Use of offices, firms or individuals not subject to PCAOB inspection may appropriately be of interest to investors and other users of financial data, and we recommend that the PCAOB consider rules to require disclosure of the extent of their participation in an audit.

For these reasons, and the additional reasons cited in our responses to the Questions, the Committee recommends that the reproposed amendments be withdrawn.

Questions for Commenters

1. Would the reproposed 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 reproposed requirements will not provide investors and other financial statement users with useful information. See The Committee's Overall Comments above.

See responses to Questions 4, 13, 14, 18 and 22 concerning our recommendation for disclosure about other participants in the audit in certain circumstances.

The Committee believes that the audit committee or those charged with corporate governance, who are directly involved in the hiring and retention of the audit firm, should have direct access to the names of the engagement partner(s) and other participants in the audit. Those parties have the direct responsibility to evaluate the qualifications of the audit engagement team, and to propose the audit firm to a vote of the shareholders. To assume that a specific investor group, institutional investor or other financial statement user would necessarily need the information in the reproposed disclosures and how they might use it to make an informed decision regarding the audited entity is not supported by any clear empirical studies provided by the PCAOB. Therefore, the Committee does not believe that the disclosure of these parties in the auditor's report is necessary or useful.

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?

The Committee does not believe such information would be useful. See the Committee's response to question 1 above.

It is unlikely to have any effect on a decision to ratify an entity's choice of a registered firm; the firm is likely to have dealt with any adverse information about the engagement partner or other participants. The adverse information might have an impact on the firm's reputation, but that is independent from the reproposed disclosures, so the reproposed disclosures would have no effect. The only exception to this might be in the unusual case a smaller firm that does not have the depth to make necessary reassignments of engagement partners or other participants in the audit, but it is likely that a responsible audit committee would seriously consider the information before proposing ratification of a firm in such circumstances.

3. Over time, would the reproposed 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?

The reproposed requirement to disclose the engagement partner's name by itself provides no information about the individual engagement partner's history, so by itself is virtually useless for any of the purposes apparently intended by the PCAOB. To relate the partner's name to the partner's history would require researching a number of different sources, some of which are centralized such as SEC filings, and others of which, such as involvement in disciplinary proceedings, are not centralized and some may not even be publicly available. And, the information may be inconclusive; for example, lack of prior experience as an engagement partner does not indicate lack of industry expertise. And, involvement in disciplinary proceedings or other litigation does not necessarily bear on the competence of the engagement partner, especially if there has not been any conclusive adverse determination.

So, the name of the engagement partner would only provide a starting point for other research that might be done to establish the databases or other compilations suggested by the PCAOB in this Question. The time to do this research and cost of it could be significant. This could lead to calls for expanded disclosures or some other method to mitigate the need for research, and that consequence would be preposterous.

What quite possibly could happen is that the information would spawn a new industry which accumulates and analyzes the data and takes it upon itself to make recommendations, similar to the activities of proxy advisory firms which have sprung up over the past several decades. But, this information may be subject to errors, and there would need to be some mechanism for the engagement partner or the related firm to vet the information. We question whether a feasible mechanism to accomplish all of this in a timely manner could ever be established.

And instead of investors or other users performing their own analyses, they will default to the recommendations of those firms, similar to what is currently happening with advice from proxy advisory firms. Analysis then would be in the hands of a relatively few entities, with a serious question of whether the recommendations of those firms serve any public interest. Of course, they will charge subscribers for use of their information, and those charges will eventually work their way into the economy as additional costs to consumers.

a. Would such databases or compilations be useful to investors and other financial statement users? If so, how?

   No, for the reasons stated in the Committee's response to Questions 1, 2 and 3 above.

b. Would they provide investors and audit committees with relevant benchmarks against which the engagement partner could be compared? If so, how?

   No, for the reasons stated in the Committee's response to questions 1, 2 and 3. above.

4. Over time, would the reproposed requirement to disclose the other participants in the audit allow investors and other financial statement users to track information about the firms that participate in the audit, such as their public company accounts, size of the firms, disciplinary proceedings, and litigation in which they have been involved? Would this information be useful to investors and if so, how?

See the Committee's response to Question 3. This requirement, as reproposed, is of even less use than disclosure of the name of the engagement partner, which the Committee considers to be useless. Most of the information that might be tracked for firms headquartered in the U.S. is already available periodically from the financial press. Any disclosure of affiliated firms upon which the primary auditor relies will be largely repetitious, especially considering that about 90% of registrants are reportedly audited by the four largest international firms. Further, disclosure of the names of firms when the primary auditor is taking responsibility for their work, whether an affiliated or non-affiliated firm, seems irrelevant to the Committee.

While the PCAOB has stated the reproposed amendments are not intended to change the performance requirements of registered public accounting firms, The Committee suggests the PCAOB evaluate the need to modify AU Section 543 *Part of Audit Performed by Other Independent Auditors* to address whether AU 543 ought to be modified to establish an objective and quantifiable measurement standard by which the other auditor must be disclosed in the audit report of the principal auditor. This would be in lieu of the PCAOB's percentage threshold for disclosure of other participants in the audit set forth in the reproposed amendment. The Committee believes there is some validity to disclosing the names of other firms participating in the audit in certain circumstances, but that disclosure should be based on the requirements of AU 543. Otherwise, the Committee is not in favor of disclosing such information, for the reasons stated in the Committee's response to Question 1.

The Committee is aware of the publicity concerning the quality of audits performed by auditors located in foreign countries, be they foreign offices of U.S. firms, foreign affiliates of U.S. firms, or firms not affiliated with the primary U.S. auditor. The Committee is also aware that the PCAOB has had difficulty in including those audits and the related auditors in its inspection program. The PCAOB inspection problem has led to increased confidence in registered firms subject to inspection. Use of offices, firms or individuals not subject to PCAOB inspection may appropriately be of interest to investors and other users of financial data, and we recommend that the PCAOB consider rules to require the extent of their participation in an audit.

The Committee does not see any merit to the disclosure of firms to which the primary auditor does not make reference unless such firms are excluded from the PCAOB's inspection program and their participation is above a specified threshold. If the primary auditor already makes reference to the other firm, disclosure of that firm's name should be required, as it already is. If no reference is made and the firm is subject to the primary firm's quality control policies and procedures, including timely review of their work as appropriate, there is no merit to disclosing the firm's name.

Disclosure of the names of other participants to which the primary auditor does not make reference and therefore take responsibility for their work 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 troublesome to smaller registered accounting firms who do not have national or international coverage.

5. Is the ability to research publicly available information about the engagement partner or other participants in the audit important? If so, why, and under what circumstances?

No, for the reasons stated in the Committee's response to Questions 1 and 3.

6. Would the reproposed requirement to disclose the engagement partner's name promote more effective capital allocation? If so, how? Can an engagement partner's history provide a signal about the reliability of the audit and, in turn, the company's financial statements? If so, under what circumstances?

As stated in the Committee's response to Questions 1 and 2 above we are unaware of any empirical evidence to support the proposition that disclosure of the name of the engagement partner (as opposed to the obvious disclosure of the audit firm, or firms) would clearly produce a higher quality of information enabling a user of the financial statements to make a more informed decision about the overall quality of the audit, and thus promote more effective capital allocation. Any statement about more efficient capital allocation at this time would seem to the Committee to be pure conjecture. Users of financial statements can access the PCAOB's publicly available records of registered public accounting firm's annual reports and inspection reports. Such information can readily speak to the overall quality of the firm's audit practice through the inspection report, and identify the names of the firm's public clients (which can lead to an understanding of industry specializations, etc.) through the annual report.

7. Would the reproposed 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? If so, how?

The Committee believes the qualitative aspects that providing information about the engagement partner, and the depth of the engagement team's experience, including those of other participants, is already being made available and considered by those in corporate governance responsible to engage the audit firm. Therefore, such information is already a significant factor in promoting competition among audit firms. The PCAOB's current proposal with have no meaningful impact on either promoting or inhibiting completion among audit firms, except, as pointed out in our response to Question 4, 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 troublesome to smaller registered accounting firms who do not have national or international coverage.

8. Would the reproposed 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?

In the simplest engagements where one engagement partner is truly involved and responsible for the entire audit, the name the engagement partner may be of some interest (although we question its value). In more complex engagements, even though one individual is ultimately designated "engagement partner" the reality is quite different and no really valid conclusions can be drawn about that one individual as that person is forced to rely on the work of perhaps many other partners and other participants.

9. What costs could be imposed on firms, issuers, or others by the reproposed 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?

While the Committee does not support the proposed required disclosure of the engagement partner, it does not see the imposition of any significant additional direct costs to the audit firm or the audited entity, regardless of whether they are an EGC. However, see the Committee's response to Questions 3 and 10.

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?

The Committee believes it is wholly inappropriate for the PCAOB to open the door to the innumerable legal issues concerning the application of the Securities Laws, especially Section 11 Securities Act liability which arises if the individual engagement partner is named in the auditor's report, and Section 10(b) and Rule 10b-5 of the Exchange Act liability for materially untrue statements deemed to be made by the individual engagement partner in the auditor's report. The Committee questions whether the PCAOB fully appreciates the legal and litigation aspects of its proposal, especially after seeing statements such as the following in the PCAOB Release:

> "The fact that the engagement partner would be subject to Section 11 liability, however, might provide investors with some additional comfort about the engagement partner's work on the audit."

> "Because an engagement partner's liability would be, at most, coextensive with that of the firm, adding the engagement partner as a defendant should not increase the amount a court could award to investors. A court might hold the engagement partner liable, jointly or severally with the firm, for those same damages, but in most cases the accounting firm will have greater resources to satisfy a judgment than will any individual partner."

> "For one thing, consents from engagement partners in an audit should not increase the number of lawsuits filed, though it may increase the number of defendants in any lawsuit that would have been filed anyway."

And finally:

> "If the reproposed amendments are adopted, the Board would also monitor the rule for some time after it became effective, if the repurposed disclosure requirement leads to an increase in litigation against either engagement partners or other participants in the audit that results in negative effects on audits of public companies, the board can revisit it."

While the Committee has no securities lawyers among its members, it is clear to those Committee members with public clients the Board appears willing to "experiment" on the named engagement partners and is uncertain of the impact. The United States is the most litigious country in the world, and it is clear that substantial costs, both to the firm and the individual engagement partners is unpredictable, difficult to control or mitigate through increased insurance or other means.

In our letter of December 21, 2011, we submitted the following comment dealing with this question on the PCAOB's Concept Release No. 2011-007:

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 its legal advisors for information on this question, but it is one that definitely needs to be answered before any aspect of the proposal is implemented.

It is not apparent that the PCAOB has resolved the question cited in our earlier comment, and until it is resolved, the Committee believes it is totally inappropriate to enact the reproposed requirements. We recognize there may be no clear answer, in which case, this is yet another reason why the reproposed amendments should be withdrawn.

As to costs, while it may be difficult to gauge the effect of the reproposed disclosures on auditor liability, the uncertainty is likely to affect insurance costs for the firms, as they normally indemnify partners. Firms can be expected to pass any such costs on to clients through increased fees.

The Committee suggests that if the PCAOB concludes, contrary to the Committee's recommendations, that the engagement partner be identified, that it be done in the Form 2 filed with the PCAOB. While a legal determination might be necessary, we believe this form of disclosure may avoid the need for the engagement partner to consent to the use of his name in the registrant's filings with the SEC., and thereby partially mitigate our concerns.

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. The Committee sees no incremental benefit arising from the consent requirement, as the engagement partner and his team are already ethically responsible for conducting the audit in accordance with the existing audit requirements and there are already sufficient incentives to comply with those requirements. If the PCAOB feels there are inherent inadequacies within the existing PCAOB auditing standards and interim auditing standards, it should seek to remedy those deficiencies.

The Committee believes that the there may be a perception of greater risk in relation to EGCs to the extent that they are unproven entities.

12. Would the reproposed 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.

The Committee does not believe the reproposed amendments will increase the engagement partner's sense of accountability. The engagement partner is just as liable for his/her actions whether or not his/her name is in the audit report. See our response to prior Questions, especially Questions 1 and 11.

There is a potential and insidious side effect of naming the engagement partner. Audit partners are already subject to a high level of regulatory scrutiny; some liken it to "walking around with a target on my back." This is already discouraging smaller firms from auditing public entities, and causing some of the best personnel in larger audit firms to seek careers in taxes, consulting and other non-audit alternatives, or to leave public accounting entirely. If this continues, audit quality could very possibly suffer if the audit practice is no longer able to attract and retain the best individuals.

13. What costs could be imposed on firms, issuers, or others by the reproposed 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?

As discussed in the Committee's response to Question 4, the PCAOB should address the issue of the significance of the use of other auditors by revisiting AU Section 543, instead of imposing the rather arbitrary percentages for determining the materiality of the other participants. Notwithstanding this overall comment, the only significant incremental costs that the Committee sees concern costs related to securing consents from other participants and potential insurance costs. This disclosure should not have any different cost impact to EGC's or their auditors.

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?

See the Committee's response to Question 10; the potential legal and litigation issues are basically the same for other firms as they are for engagement partners.

Assuming the PCAOB addressed the issue of significance of the use of other auditors by revisiting AU Section 543, instead of imposing the rather arbitrary percentages for determining the materiality of the other participants, if the other participant was a material contributor to the overall audit, they would have to bear the cost of dealing with the consent requirements and attendant legal risks under the Securities' Laws.

Many of the firms to be named will be foreign. The Committee does not know whether foreign firms will be willing to be named and consent to their being named, and whether there are, or may be in the future, local statutory prohibitions against compliance with the PCAOB reproposed disclosures.

The naming of a foreign firm simply because they are foreign, which will be the case for international firm's affiliates, will likely be negatively viewed by foreign firms and foreign governments. If there is good reason, such as exclusion from PCAOB inspections or reference in the primary auditor's report, that may be acceptable. But, in an environment where greater "internationalization" is occurring, including in auditing standards, a blanket requirement to name all foreign firms could be very counter-productive.

It is reasonable to expect that those costs will be passed on to the audited entity. In addition, being named, with the related consent, will potentially subject those firms to securities acts liabilities to a greater extent than they are now. There will likely be insurance and other costs flowing from this and costs of that will likely be passed on to clients. Amounts of those costs are not known, and we suggest the PCAOB take meaningful steps to determine those costs as part of the cost-benefit analysis of the reproposed disclosures. The costs are likely to me more tangible that the perceived benefits of the reproposed disclosures.

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, for the reasons stated in the response to Question 11.

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? Why or why not? Would the reproposed requirement to disclose the extent of other participant participation within ranges impose fewer costs than a specifically identified percentage?

As discussed in the Committee's response to Question 4, we recommend the PCAOB establish better criteria for determining the materiality of other participants in the audit by revisiting AU Section 543, instead of implementing a disclosure requirement based on a percentage evaluation of audit hours. In the event the PCAOB does not do as we suggest, we would recommend the use of a range, rather than as a specific number, be adopted. In either case, the nature of the disclosure should have no material impact on any costs incurred by the lead audit firm in preparing the audit report.

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?

Please refer to the Committee's response to Question 16 for our overall comments regarding the PCAOB's proposed use of specific percentages, which we do not find to be relevant.

If specific percentages are used, we recommend a threshold of no less than 10%. Disclosures below that threshold would be for such a small part of the audit as to be meaningless.

18. Under the reproposed 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, Foreign offices of the primary audit firm are assumed to be operating under the same internal policies and procedures as the U.S.-based office; therefore, separate disclosure is irrelevant. Most foreign locations of primary auditors in the U.S. are

separate legal entities, so any relief that the PCAOB thinks it may be granting by permitting foreign offices to be considered part of the "firm" is not significant. In addition, if the primary auditor is taking responsibility for the work of a non-affiliated firm, there is no need to mention that.

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

See response to Question 18.a above. The reproposed requirement is stated clearly, but the Committee does not believe it is appropriate.

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

No. The same disclosure standards related to ownership structure and consistent application of internal policies and procedures should be applied in evaluating shared responsibilities among component members of an alternative practice structure.

20. Under the reproposed 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?

No. The Committee does not believe that disclosure of "engaged specialists" will provide investors and other users of financial statements with incrementally useful information, and such information should not be disclosed.

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?

While cost considerations should not be significant, the Committee sees no value to this disclosure.

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?

No. Refer to the Committee's response to Question 20 a.

22. If the Board adopts the reproposed 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?

As stated in our responses to the above questions, the Committee is strongly opposed to the disclosure of the engagement partner and certain information about other participants as being irrelevant to investors and other users of the financial statements. However, if notwithstanding the Committee's recommendations, the PCAOB decides to require disclosure of the name of the engagement partner, the Committee would support disclosure of the name of the engagement partner on Form 2 or other PCAOB reporting form. The Committee would not support the disclosure of the other participants in any manner on Form 2 or other PCAOB reporting form based on the reproposed requirements. The Committee believes that any disclosure of other participants be based on a comprehensive review of AU 543; further, the Committee sees merit to the PCAOB considering rules to require disclosure of the extent of participation in an audit of offices, firms or individuals not subject (i.e., excluded from) the PCAOB inspection program.

23. Are the reproposed 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?

The Committee sees no basis for differentiation between brokers and dealers and other registrants. The Committee opposes the disclosure of this information for the audits of brokers and dealers for the same reasons set forth in our responses to the other questions.

24. Should the reproposed 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 reproposed amendments to disclose the engagement partner's name and information about other participants in the audit for application to audits of EGCs?

The Committee sees no basis for differentiation between EGCs and other registrants. The Committee does not support the application of the reproposed disclosure requirements to non-EGCs as well as EGCs.

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

Please refer to the Committee's response to Question 24 above.

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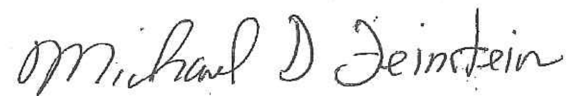
We would be glad to discuss our opinions with you further should you have any questions or require additional information.

Sincerely,



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