

August 31, 2015

Public Company Accounting Oversight Board  
Attention: Office of the Secretary  
1666 K Street, NW  
Washington, DC 20006-2803  
[comments@pcaobus.org](mailto:comments@pcaobus.org)

Re: PCAOB Release No. 2015-004, Docket Matter No. 029: *Supplemental Request for Comment: Rules to Require Disclosure of Certain Audit Participants on a New PCAOB Form*

The Accounting and Auditing Procedures Committee (the committee) of the Pennsylvania Institute of Certified Public Accountants (PICPA) appreciates the opportunity to comment on the proposed disclosure of certain audit participants in the auditor's report or on Form AP. The PICPA is a professional association of more than 22,000 members working to improve the profession and better serve the public interest. Founded in 1897, the PICPA is the second-oldest CPA organization in the United States. Membership includes practitioners in public accounting, education, government, and industry. The committee is composed of practitioners from both regional and small public accounting firms, members serving in financial reporting positions, and accounting educators.

The committee does not support the mandatory public disclosure of the name of the audit partner, either in the audit opinion or in the proposed Form AP. As stated in our enclosed March 17, 2014, response to PCAOB Release No. 2013-009, Docket Matter No. 029: *Proposed Amendments to Auditing Standards to Improve the Transparency of Audits*, the committee believes that the potential litigation and safety concerns, as well as anti-competitive impact, of the proposed disclosure outweigh any perceived investor benefits. Ultimately, the audit committee is responsible for the selection and oversight of an appropriately qualified auditor, and the committee supports greater audit committee education regarding ensuring a high quality audit. Finally, the committee supports removing the requirement to disclose nonaccounting firm participants in the audit as anti-competitive. If the PCAOB opts for audit partner disclosure, it should disclose other parties that play a role in the engagement, such as individuals performing regulatory reviews and inspections.

Thank you for the opportunity to provide our comments on the proposed engagement partner disclosures. Feel free to contact me at (717) 232-1230, or the PICPA staff liaison Allison Henry at (215) 972-6187, with any questions regarding our comments.

Sincerely,



Lisa A. Ritter, CPA, CFE – Chair, PICPA Accounting and Auditing Procedures Committee

March 17, 2014

Public Company Accounting Oversight Board  
Attention: Office of the Secretary  
1666 K Street, NW  
Washington, DC 20006-2803  
[comments@pcaobus.org](mailto:comments@pcaobus.org)

Re: PCAOB Release No. 2013-009, Docket Matter No. 029: Proposed Amendments to Auditing Standards to Improve the Transparency of Audits

The Accounting and Auditing Procedures Committee (the committee) of the Pennsylvania Institute of Certified Public Accountants (PICPA) appreciates the opportunity to comment on the Proposed Amendments to Auditing Standards. The PICPA is a professional association of more than 20,000 members working to improve the profession and better serve the public interest. Founded in 1897, the PICPA is the second-oldest CPA organization in the United States. Membership includes practitioners in public accounting, education, government, and industry. The committee is composed of practitioners from both regional and small public accounting firms, members serving in financial reporting positions, and accounting educators.

1. Proposed requirement to name the engagement partner
  - a. No improvement in audit quality – The committee does not believe that requiring the partner to sign the audit opinion would improve audit quality. Firms design their audit approaches to comply with the existing standards. Therefore, it is unlikely that the work currently performed in connection with the audit will change in the absence of specific changes to the audit standards. Instead, the committee believes that users may misinterpret the role of the signing partner, not considering that the audit is performed within the context of a firm’s system of quality control.
  - b. Potentially misleading – The signature of the partner may also mislead users to think that the signing partner is responsible for the financial statement results, or somehow personally certifies the information being provided. This misunderstanding may also lead users to seek information directly from the signing partner, posing potential ethics compliance related threats (e.g., AICPA Code of Professional Conduct ET100 - 1, *Conceptual Framework for AICPA Independence Standards*, advocacy threat, and ET 301, *Confidential Client Information*). Ultimately, the committee believes that the proposed required signature could lead to increased personal liability and potential security concerns for the signing partner.
  - c. Potential increase in legal liability for the signing partner – While personal signatures and names of the engagement partners in the audit report are required in certain jurisdictions, the legal environments in those jurisdictions may not be the same as in the U.S. Some jurisdictions, especially the U.S., are more litigious and could expose the signing partner and the partner’s family to unwarranted and costly litigation,

whether any fault lies with the partner or not. The committee believes that this will result in greater legal liability for the signing partners, and translate into recruitment challenges for firms. Higher audit fees are also likely.

- d. Physical safety – The committee is also concerned with the safety of the signing partners and their families, and is mindful of the potential for violent activism or an irrational reaction from a shareholder who has lost money. As an example, the committee recalls the 2003 London animal rights activist incident in which a city block in front of the Deloitte building was closed and protests took place outside the homes of the auditors. [See the following link for a column in *The Guardian*, “Auditors under fire over animal right.”  
<http://www.theguardian.com/uk/2003/feb/20/businessofresearch.research>]  
The committee does not believe individual partners should be exposed to such security threats.
2. Anti-competitiveness impact of databases grading partners – The committee believes that the creation of databases that grade partners could result in a permanent structural bias against smaller, less-known firms. Audit committees may be reluctant to engage firms or partners that are not already well-established, known within the industry, and highly graded by the industry database of audit partners discussed in the proposal. The resulting impact is contrary to public policy efforts to reduce the concentration of audit firms auditing public companies.
3. Disclosure about certain other participants in the audit – The committee does not support the disclosure of the specific names and locations of the other auditors participating in the audit. The committee believes that the financial statement users may be misled about the role of the other auditors versus the primary auditor. In lieu of specifically naming the participating auditors, and given the overall responsibility of the signing audit firm, the committee supports a generic disclosure about the use of other independent auditors. Additional concerns are enumerated below:
  - a. Harm to smaller firms participating on the audit – The committee is concerned that adding a requirement to disclose the other participants in the audit would have a detrimental effect on the use of other audit firms, which in many cases are smaller firms. Specifically, the committee is concerned users may raise questions about the overall quality of the audit if the other firm being utilized is smaller, and possibly not as well-known or highly-graded in the proposed databases. The committee believes that firms will be reluctant to rely on other auditors and will move to bring that work in-house rather than having to disclose that they used other auditors. The end result will be to reduce the work for smaller firms. As the firm signing the audit opinion is required to take overall responsibility for the work performed by other auditors, such work must be performed to the standards required by the signing firm. Therefore, it is unclear what is being accomplished by this proposed requirement.
  - b. Legal liability for participating firms – The disclosure of the other audit firm participating on the audit could also increase the legal liability of the participating firm. Financial statement users may seek to hold them accountable for a greater

portion of the audit work than they actually performed. These firms may be reluctant to accept this exposure, resulting in less firms being involved in the market.

- c. 5% threshold for disclosure – While the committee disagrees with any proposed requirement to disclose the other firms that participated on the audit, the committee believes that the proposed 5% threshold is onerous. If the board requires this disclosure, the committee suggests a significant increase in the threshold to 30% or more.
4. Employment versus affiliate relationship – Page 16 of Release No. 2013-009 includes the following:  
“In the 2011 Release, the Board indicated that disclosure of any offshored work would not be required to the extent that the offshored work is performed by another office of the same accounting firm, even though that office may be located in a country different from the country where the firm is headquartered. The staff of such office is employed by the accounting firm issuing the auditor's report.”

The committee is not convinced that the employment relationship in foreign countries referred to in this exemption is sufficiently different from affiliate relationships utilized by international networks. It is unclear, for example, whether personnel employed at an affiliate could be temporarily employed by the accounting firm issuing the auditor's report in order to get around the disclosure requirements. The committee requests that the related requirements be better clarified to remove inconsistencies.

5. Appendix K reviewer – Release No. 2013-009 page 15 also indicates that the Appendix K reviewer would be exempt from the disclosure requirements. Given the importance of this work to the overall system of quality control over engagement performance, it is unclear why this work would be treated differently than the rest of the audit engagement.

We appreciate your consideration of our comments, and we are available to discuss any of these with you at your convenience.

Sincerely,



Allison M. Henry, CPA  
PICPA – Vice President – Professional & Technical Standards  
Staff Liaison, PICPA Accounting and Auditing Procedures Committee