

August 31, 2015

Phoebe W. Brown  
Secretary of the Board  
Public Company Accounting Oversight board  
Office of the Secretary  
1666 K Street N.W.  
Washington, D.C. 20006-2803

Dear Madame Secretary;

**Reference:** *Supplemental Request for Comment: Rules to Require Disclosure of Certain Audit Participants on a New PCAOB Form (PCAOB Rulemaking Docket Matter No. 029)*

CFA Institute,<sup>1</sup> in consultation with its Corporate Disclosure Policy Council (“CDPC”),<sup>2</sup> appreciates the opportunity to comment on the Public Company Accounting Oversight Board’s (PCAOB) [Supplemental Request for Comment: Rules to Require Disclosure of Certain Audit Participants on a New PCAOB Form](#).

CFA Institute is comprised of more than 130,000 investment professional members, including portfolio managers, investment analysts, and advisors, worldwide. CFA Institute seeks to promote fair and transparent global capital markets and to advocate for investor protections. An integral part of our efforts toward meeting those goals is ensuring that corporate financial reporting and disclosures provided to investors and other end users is of high quality.

#### ***CFA Institute Position on Prior Proposals***

CFA Institute has provided feedback to the PCAOB on the disclosure of the engagement partner and other audit participants in our past letters. We refer you to this prior correspondence for specific views, and rationale, regarding what we believe our investor members see as the most appropriate course of action for the PCAOB:

- [Improving Transparency of Audits: Proposed Amendments to PCAOB Auditing Standards to Provide Disclosure in the Auditor’s Report of Certain Participants in the Audit \(March 13, 2014\)](#)
- [Concept Release on Requiring the Engagement Partner to Sign the Audit Report \(January 23, 2012\)](#)

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<sup>1</sup> With offices in Charlottesville, New York, London, Brussels, Hong Kong, Mumbai, Beijing, CFA Institute is a global, not-for-profit professional association of more than 130,000 investment analysts, portfolio managers, investment advisors, and other investment professionals in 150 countries, of whom nearly 123,000 hold the Chartered Financial Analyst® (CFA®) designation. The CFA Institute membership also includes 144 member societies in 69 countries and territories.

<sup>2</sup> The objective of the CDPC is to foster the integrity of financial markets through its efforts to address issues affecting the quality of financial reporting and disclosure worldwide. The CDPC is comprised of investment professionals with extensive expertise and experience in the global capital markets, some of whom are also CFA Institute member volunteers. In this capacity, the CDPC provides the practitioners’ perspective in the promotion of high-quality financial reporting and disclosures that meet the needs of investors.

Consistent with our previous correspondence, a large majority of our members and other investors in U.S. markets believe that disclosure of the name of the audit engagement partner – and disclosure of other participants in the audit – of U.S. issuers is important to enhancing personal accountability and thereby improving audit quality. They also believe that this information should be readily accessible. To this end, investors believe that the name of the engagement partner should be disclosed on the face of the auditor’s report. By doing so the information would be disclosed on the only form of communication between the auditor and investor and would be immediately available when the audited financial statements are filed with the U.S. Securities and Exchange Commission (SEC).

In his [written remarks](#) regarding the release of the re-proposal, PCAOB Board Member Steven Harris provides the quotations below from a preparer, former accounting standard-setter and investor. Collectively, these key stakeholders agree on the appropriate course of action –which is consistent with our previous correspondence.

*I am proud to sign on behalf of my company when I sign. And to me . . . it should be the same . . . in terms of the auditing profession. They should be proud too. And to try to put it on some other piece of paper, which is hard to find . . . I don’t quite see the benefit of doing that, versus signing somewhere very visible, like under the opinion.*

Kenneth Goldman  
CFO of Yahoo

*I firmly believe that the requirement for the auditor to sign in his own name on behalf of the firm improves audit quality and helps the market to identify and weed out weak auditors....The identification of the partner responsible for the audit will focus his mind and give him a greater sense of responsibility—there is no hiding behind a firm’s name. He will make absolutely sure that all parts of the audit are done to his satisfaction—including those parts of the audit undertaken by other firms. Ultimately, his reputation is on the line.*

Sir David Tweedie  
Former Chairman of the International Accounting  
Standards Board  
Former Chairman of the Auditing Practices  
Committee in the UK

*I think that there is no simpler or less expensive reform that should and could be put in place than requiring the disclosure of the name of the partner on the engagement. I think nothing sharpens the mind more than a signature.*

Ann Yerger  
Executive Director.  
Council of Institutional Investors

As the quotations above indicate, company management and investors see this issue in the same way.

### ***CFA Institute Comments on Current Proposal***

CFA Institute does not oppose providing the information is a supplemental Form AP. Our support for disclosure on Form AP is seen as an incremental step to providing the information to investors. Our support is provided based on the following broad conditions:

- ***File Form AP Sooner Than the Proposed 30 Day Timeframe:*** The name of the audit engagement partner and other audit participants should be filed sooner than the proposed 30 day requirement. We believe, as indicated in our previous correspondence that a main benefit of filing the information on the face of the auditor's report is that the information is immediately accessible. The capital markets react quickly to information disseminated to the investing public and therefore, it is necessary that the disclosure of the engagement partner and other audit participants be provided in a timely fashion. To this end, we believe that the PCAOB should require firms to file Form AP within 10 days of when the audited financial statements are first filed with the SEC. We agree with the Council of Institutional Investors in their [letter](#) to the PCAOB dated July 30, 2015, which states:

*More timely information makes it more likely that investors will be able to consider the information in connection with their oversight and voting responsibilities as shareowners.*

*CII notes that the Board has proposed that firms file Forms AP within a shorter 10-day deadline for initial public offerings. The Board does not appear to provide any basis as to why the shorter 10-day deadline would be impractical for the audits of other companies. Moreover, the Board noted that some commenters suggested a far shorter period than the proposed 30 calendar days, "such as 4 days" following the completion of the audit. CII, therefore, would generally support a deadline of no more than 10 days after the date the auditor's report is first included in a document filed with the Securities and Exchange Commission.*

- ***Search Functionality:*** In order for disclosing the information on Form AP to work effectively for users the information must be easily searchable. We urge the Board not to compromise on this matter given that accessing Form AP is yet another step investors would have to take to retrieve the information.
- ***Accessibility:*** The PCAOB must provide a prominent and easily identifiable location for Form AP. We would object to something like the multiple steps needed to access PCAOB Form 2 for instance, where the information on that form is not easily accessible. We refer you to the blog, [Navigating a Maze: Audit Profession's Solution for Disclosing Engagement Partner](#) written by Matt Waldron for more information on how investors would access this information on the previous proposal and the obstacles they would face. We think that it should take only a few steps and that Form AP should be prominently featured on the main landing page of the PCAOB website.
- ***Applicability to Audits of All Public Companies:*** Investors do not distinguish matters of audit and audit quality based on size of the company; therefore, we believe that the requirement to File Form AP should apply to audits of all public companies.

## CLOSING REMARKS

CFA Institute commends the PCAOB and especially those Board members who have consistently supported investors and other users over the last several years to advance matters of audit quality, of which disclosure of the engagement partner and other audit partners is just one element.

We thank the PCAOB for the opportunity to express our views on this proposal. If the PCAOB has questions or seek furthers elaboration of our views, please contact Matthew M. Waldron by phone at +1.212.705.1733, or by e-mail at [matthew.waldron@cfainstitute.org](mailto:matthew.waldron@cfainstitute.org).

Sincerely,

*/s/ Kurt N. Schacht*

Kurt N. Schacht, JD, CFA  
Managing Director  
Standards & Financial Markets Integrity Division  
CFA Institute

*/s/ Ashwinpaul Sondhi*

Ashwinpaul Sondhi  
Chair  
Corporate Disclosure Policy  
Council

cc: CFA Institute Corporate Disclosure Policy Council