

January 9, 2012

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

Re: PCAOB Rulemaking Docket Matter No. 29, *Improving the Transparency of Audits: Proposed Amendments to PCAOB Auditing Standards and Form 2*

Dear Office of the Secretary:

We appreciate the opportunity to respond to the Public Company Accounting Oversight Board's ("PCAOB" or "Board") Release No. 2011-007 on *Improving the Transparency of Audits: Proposed Amendments to PCAOB Auditing Standards and Form 2* ("Release"). We are supportive of the Board's continuous efforts to improve transparency to investors and other financial statement users. This letter includes our views and observations on engagement partner identification and identification of other participants in the audit as set forth in the Release.

### **Engagement Partner Identification**

We do not support engagement partner identification in audit reports, as we do not believe it will serve to advance the Board's goal of improving audit quality. We have concerns that the impact of such a mandate would result in unintended consequences. We believe that identifying the audit partner places undue emphasis on that individual in the public's eye rather than all of the elements of the quality control system that lead to expression of a firm's opinion, such as the engagement quality reviewer.

Currently, an engagement partner is accountable to numerous individuals. They are accountable directly to members of a firm's quality control structure who conduct internal inspections of audit engagements and evaluate partners, and to their fellow partners in their firm. Engagement partners are held accountable by clients' audit committees, management and investors. In addition, engagement partners are held accountable by regulators of the PCAOB, the SEC and indirectly to various other industry regulators of our clients. We do not believe that identifying an engagement partner in the audit report will increase the accountability they already feel or incentivize those partners to conduct higher quality audits than they already perform now.

While we acknowledge that identifying the engagement partner in the audit report would increase transparency of that information, we question whether that information is valuable to

investors, and it is unclear how that information can be used by investors to better understand the audit or audit process. What information about an audit partner will investors have and use to make any meaningful evaluation about the audit? Audits are performed by teams of individuals, many of whom perform critically important functions, like staff performing critical audit steps, subject matter experts, technical reviewers, third party specialists, etc. Will any evaluation based upon limited information about the audit partner alone really be appropriate without evaluating the entire audit team and, for that matter, the conduct of the audit?

We also have concerns that identifying an engagement partner in the audit report could increase their liability exposure in litigation. While we understand it is not the intent of the PCAOB to increase the liability of the engagement partner, it could be an unintended consequence of the Release.

However, we would not object to the identification of the engagement partner in Form 2 if the Board believes that information is responsive to investors' requests for increased transparency.

#### **Identification of Other Participants in the Audit**

We support the Board's efforts to increase transparency and enhance users understanding of the audit process. However, we have concerns that providing the names of other independent accounting firms and others not employed by the auditor, when the auditor assumes responsibility for or supervises the work of those participants, would appear to diminish or change the overall responsibility of the principal auditor. Investors may place undue reliance on other participants listed in the report or misinterpret their actual participation in audit. We also believe this requirement may undermine the supervisory and review concept built into our quality control standards and doesn't speak to the principal auditor's role in planning, supervising or reviewing the work performed by the other participants. We do not believe it is possible for investors to make any informed decision about the impact on audit quality simply by naming other participants without also evaluating the materiality and complexity of the information being tested, nature of the work performed, the qualifications of the participants who perform that work, the extent of the planning, supervision and review performed by the principal auditor, etc.

We also have concerns that the identification of other participants could be a competitive disadvantage for smaller firms when compared to larger firms who have similar branding of their network firms, *i.e.*, use of a common name. Investors may make incorrect assumptions about the quality of network firms based on similarity of their names to the detriment of smaller firms that lack a similar network structure.

If the Board feels the current quality control standards on supervision of other participants used in an audit is unsatisfactory, we respectfully propose the Board tackle those issues by

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amending current quality control standards or proposing additional quality control standards to address those issues.

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We appreciate the opportunity to express our views for the Board's consideration. If you have any questions or would like to discuss these matters further, please contact Steve Rafferty or Jennifer George at 417.831.7283, or by email at [srafferty@bkd.com](mailto:srafferty@bkd.com) or [jgeorge@bkd.com](mailto:jgeorge@bkd.com).

Sincerely,

BKD, LLP

**BKD, LLP**