

Le Président

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

March 17, 2014

**RE: PCAOB Rulemaking Docket Matter n°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***

Dear Sir or Madam,

The CNCC (“Compagnie Nationale des Commissaires aux Comptes”, the French Body of statutory auditors) is very pleased to have the opportunity to provide its comments on the PCAOB’s repropoed auditing standard: *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*.

These proposals would amend the Board’s auditing standards to require the audit report to include (1) the name of the engagement partner on the most recent audit and (2) information about independent public accounting firms, other than the principal auditor, and certain other persons that participate in the audit (“Audit Participants”). The proposals modify the Board’s prior proposals issued in 2011. The CNCC’s general comments to the issues raised in the PCAOB proposed rulemaking that are relevant from a European or international perspective are set out below:

1. Engagement partner’s name on the audit report

The CNCC agrees that disclosing the name of the engagement partner could add to the transparency of the audit. In Europe, the name of the engagement partner appears at the bottom of the audit report in connection with the name of the audit firm on behalf of which the audit is carried out. The name of the audit partner on audit reports is also required by the 2006 Statutory Audit Directive¹. European Member States may allow the name not to be disclosed in exceptional circumstances if the inclusion of it could lead to an imminent and significant threat to the personal security of that person.

¹ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CONSLEG:2006L0043:20130719:FR:PDF>

However, the CNCC acknowledges that the liability position of auditors in the US is different from auditors in Europe and may not fully appreciate the liability implications for audit partners signing reports used in the US. The name required in the EU is given under the provisions of the various European liability regimes for auditors and/or audit firms at national level and does not diminish the responsibility of the audit firm to establish appropriate quality control systems.

The CNCC believes it is important to assist users in putting the new information in appropriate context and not drawing unwarranted conclusions about the engagement partner or the audits he or she oversees. For example, we think users need to understand that an audit is the responsibility of the firm that issues the audit report, more so than the individual identified as the engagement partner. Similarly, in considering the qualifications of an individual to serve as engagement partner, users should also understand that others within the firm significantly contribute to the audit.

2. Disclosure of Certain Other Participants in the Audit

The CNCC is not convinced about the usefulness of the disclosure of certain other participants in the audit even if it is in general terms without naming the persons involved. The CNCC believes that, for multinational audits, disclosures of those that took part in the audit, but are not employed by the audit firm, will likely be extensive and make audit reports significantly longer. Such extensive disclosures would distract from the key messages that audit reports are intended to convey to users. Whether it is in an environment of sole or divided responsibility, the disclosure should clearly distinguish between those that have responsibility for the audit and those that took part in the audit (as members of the engagement team, whether employed or not by the audit firm).

As to Audit Participants for which information is provided, the group auditor is responsible for the entire audit and expresses an opinion about the financial statements taken as a whole; the group auditor must take steps to satisfy himself that he can rely on the work of the Audit Participants in rendering its audit report.

Audit Participants have a legitimate concern that being named in the audit report could expose them to incremental private civil litigation and personal liability. The CNCC does not believe the Board has adequately considered these risks in advancing its proposed standards. In the Proposing Release, however, the Board assumes that naming the Audit Participants in the audit report will impose statutory liability on them under section 11 of the Securities Act and section 10 (b) of the Exchange Act, liability that they do not currently possess. Audit Participants that do not issue audit reports themselves do not currently face any material risk of section 11 of the Securities Act or section 10 (b) of the Exchange Act liability, because the group auditor takes responsibility for their work and the Audit Participants are not identified in a public document. If they become parties to section 11 or a section 10 (b) litigation because they are named in an audit report, they will incur costs in defending this litigation, which can include counsel fees, discovery and insurance costs and management time and distraction. These costs could be substantial. And regardless of the liability risks, plaintiffs may opportunistically name Audit Participants as defendants in a section 11 or a section 10 (b) case in order to gain advantage in the litigation or settlement.

The CNCC believes that foreign accounting firms may, by virtue of being named in the audit report, consider themselves to be associated with the report. They may feel it necessary to undertake a wider range of procedures, including reviewing the complete

financial statements and SEC filing in which the statements are contained, in order to consider whether other statements in the filings are consistent with the work they performed on the audit or whether other parts of the filing raise association risks. This concern is heightened because the Audit Participant will not provide a separate report and it will not be clear from the face of the audit report what parts of the audit are attributable to the Audit Participant. Performance of these procedures will result in unnecessary costs, as the Audit Participant will be performing procedures and inquiring in areas they were not involved in during the audit.

Incidentally, the CNCC believes naming component audit firms, whatever the reporting threshold adopted, would not provide that much additional benefit to investors.

3. Consent requirement

The new consent requirement for engagement partners and named Audit Participants could also create practical and logistical problems.

The consent requirement would present problems with respect to partners who are no longer associated with the firm. It may be difficult, time-consuming or impossible to obtain consents from partners who are no longer associated with the firm, who are deceased, incapacitated or not easily reachable or who, being no longer associated with the firm, decline to provide a consent. If a consent is unable to be provided, the SEC may reject the filing as incomplete, or the issuer may have to request a waiver, which again could be time-consuming and result in additional expense.

The CNCC believes that the process for obtaining consents from Audit Participants may also present logistical problems. As noted above, new consents will be required from all named Audit Participants for every registration statement and amendment after the initial filing of the audit report. The need to obtain consents from numerous non-US firms—and for those firms to perform the necessary procedures in order to be able to issue the consents—could lead to delays in completing the offerings and additional costs.


The consent filing requirement may also subject named foreign participants to U.S. jurisdiction that would otherwise not exist. Risks also exist under state law. For example, state law negligence and fraud claims are often asserted against accounting firms, including by bankruptcy trustees or receivers. Individual partners (and other participants in the audit) are not typically named as defendants in such lawsuits, but the identification of them in the auditor's report could change that.

For all these reasons, the CNCC believes that the perceived benefits of including information about other Audit Participants in the audit report itself are substantially outweighed by the significant potential litigation risks and costs that this creates and the practical difficulties created by the requirement to obtain consents.

Yours sincerely,



Yves Nicolas
President of CNCC



Gilles Hengoat
President of Department of
Financial Markets of CNCC