

Linda de Beer

Professor • CA (SA) • M.COM (TAX)
Independent Director and Corporate Governance Advisor

20 March 2014

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

Email: comments@pcaobus.org

Reference: PCAOB RULEMAKING DOCKET MATTER NO. 29, *Improving Transparency of Audits: Proposed Amendments to PCAOB Auditing Standards to Provide Disclosure in the Auditor's Report of Certain Participants in the Audit*

Thank you for the opportunity to comment on this very important matter currently under consideration by the PCAOB.

As a South African, my interest in this matter might not be obvious to you. I have therefore included an abridged version of my curriculum vitae to this document, for your benefit. In short though, I would like to explain my interest by stating that my professional objective is to play a role in the quality of reporting at a South African and international level. I strongly believe that high quality financial reporting-, auditing- and corporate governance standards as well as well crafted and implemented laws and regulations contribute to investor confidence in companies and markets, which in turn enhances investment to the ultimate benefit of society.

In this very instance I have a grave concern that, if the PCAOB moves away from its earlier indications to mandate the naming the auditor in the auditor's report, it would not only put the United States out of step with many other jurisdictions in the world, but also put further pressure the already tainted credibility of the global auditing profession.

I am therefore strongly in support of the proposal of the PCAOB to require auditors to disclose in the auditor's report (1) the name of the engagement partner on the most recent period's audit; and (2) the names, locations, and extent of participation of other public accounting firms that took part in the audit and the locations and extent of participation of other persons not employed by the auditor who performed procedures on the audit.

We have had numerous discussions on auditor reporting at the Consultative Advisory Group (CAG) meetings of the International Auditing and Assurance Standards Board (IAASB), the equivalent to your SAC. This was the one area where the 30+ CAG member organizations and their representatives felt extremely strongly that naming the engagement partner in the auditor's report is extremely important to serve the public interest.

I would also like to point out that 'identifying' the engagement partner through a practice number or other reference, without also including the individual's name, would certainly not be useful. This will require investors or other readers of the auditor's report to refer to another source in order to get to the engagement partner's name. I would not just create undue effort on the side of the reader, but also cause frustration and a perception that auditors avoid transparency.

I would like to provide a number of specific motivations for my support for the PCAOB proposal:

- The auditor is, in the first instance, the agent of the shareholders and is meant to be acting in the best interest of shareholders by reporting to them on the financial statements, which can be seen to be a proxy for acting in the public interest. It is therefore very important that auditors have to respond to the call from their 'clients', thus investor groups, to disclose the engagement partner's name. Users groups such of the CFA Institute and the International Corporate Governance Network (ICGN) have openly made strong statements, in CAG meetings and elsewhere, to call for such disclosure readily available on the face of the auditor's report.
- Furthermore, other professional bodies represented on the CAG, such as the International Actuarial Association and the International Valuation Standards Council have at numerous occasions pointed out that the individual members of these professions are required to disclose, not just the name of their professional firm, but also of the individual, on all reports issued. In addition, they also have to disclose the technical and ethical standards that they have to comply with, the latter which is not commonly disclosed by the auditing profession.
- If this matter is not addressed it will exacerbate the already negative perception that exist among user groups and the broader public that the auditing profession is unwilling to change and to enhance its transparency. The auditing profession is an important role player in the financial reporting supply chain. If the importance and relevance of the auditing profession is further tainted by more negative perceptions, it has reputational repercussions for all role players, auditors, regulators and standard setters alike.
- The practice of disclosing the engagement partner's name in the auditor's report has already been in use for quite some time in many other jurisdictions, including the European Union, China and South Africa. It is inconceivable that a significant economy, that often takes the lead in legislation and regulation, is out of step with the latest thinking, and more importantly the strong call from investor groups, in this regard. The IAASB is proposing similar requirements as part of its auditor reporting project.
- Even though it might be debatable if such disclosure directly positively impact audit quality on a larger scale, it will certainly enhance the sense of responsibility and accountability that is felt by an individual when signing is name on a public document. This is in addition to the enhancement of transparency which is a first step in building trust in the public eye.

I hope you find these comments useful and would and, in conclusion, I would like to thank you in advance for considering my comments. I will be following the outcome of your debates in this regard with a keen interest.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Linda de Beer', with a long horizontal line extending to the right.

Linda de Beer

**ABRIDGED CURRICULUM VITAE
LINDA DE BEER**

Linda is an independent non-executive director, financial reporting and corporate governance advisor and part time professor at the School of Accountancy at the University of the Witwatersrand, in Johannesburg, South Africa.

She is a South African chartered accountant CA(SA) and holds a masters degree in taxation. She previously, inter alia, held the position of Senior Executive: Standards at the South African Institute of Chartered Accountants (SAICA) and as Financial Director at privately owned BEE investment holding company.

To this end, Linda currently holds the following positions and is involved in the following activities:

- Independent director on the boards of 3 company listed on the Johannesburg Stock Exchange (JSE) and 1 non-profit company board.
- Independent financial reporting and corporate governance advisor and trainer, mostly to directors on their roles and responsibilities. Training includes topics such as the King 3 Code on Corporate Governance in South Africa, the South African Companies Act, the role of audit committees and finance. Clients include the JSE Ltd and the Institute of Directors of Southern African.
- Chairman of the International Auditing and Assurance Standards Board's Consultative Advisory Group (CAG). The CAG is an independent advisory structure, representing more than 30 non-auditor and non-International Federation of Accountants (IFAC) member bodies, thus mainly regulators, investors and other users of the audit service (e.g. Basel, CFA Institute, European Commission, IOSCO, International Monetary Fund, International Corporate Governance Network and the World Bank) that advises the IAASB on its agenda and other strategic matters. Linda was elected by the CAG members as Chair in 2010 and unanimously re-elected for a 2nd term in 2013. Before this she represented the World Federation of Exchanges on the CAG.
- Chairman of the JSE's Financial Reporting Investigations Panel.
- Member of the King Committee on Corporate Governance in South Africa.
- Member of the JSE Limited Issuers' Advisory Committee, which advises the South African Stock Exchange on listings related matters.
- Member of the Committee for Auditing Standards of the Independent Regulatory Board for Auditors and the Financial Reporting Standards Council, representing the JSE.
- Part time professor in financial accounting and auditing at the School of Accounting at the University of the Witwatersrand.