Phoebe W. Brown
Office of the Secretary
PCAOB
1666 K Street, N.W.
Washington, D.C. 20006-2803
USA

August 10th 2016

Dear Madam Secretary

Re: PCAOB Rulemaking Docket Matter No. 034

We are writing, as a major institutional investor, to support the PCAOB's proposals for enhancing auditor reporting. By way of background, Aberdeen Asset Management is a UK-based global fund management house, with over $400 billion assets under management (as at the end of June 2016).

As a global investor, we have followed closely the debate on auditor reporting as it has developed around the world. In particular, we have welcomed the additional insights which the new reports have afforded to us as investors in UK companies as these reports have been enhanced over the last three years. The reports have helped build our confidence in the quality and effectiveness of the audit process, as well as giving us insight into the work that the auditors have done. They do indeed help to reduce information asymmetries and build trust between the parties to corporate reporting. By increasing transparency, we also believe that these reports tend to enhance the quality, both of the audit, and of company reports.

It has long been our view that the existing form of auditor reporting does the profession a profound disservice. It seemingly places greater emphasis on what the auditor has not done than what has actually has been delivered, and focuses on why investors should not rely on the auditor's work rather than providing confidence in the effectiveness of the audit process.

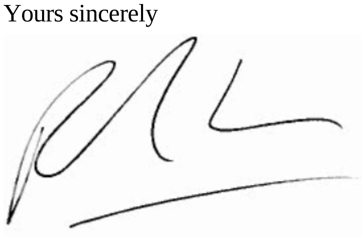
We regard the PCAOB's current proposals as an important opportunity to address these failings of the current auditor reporting model and we urge that they should be taken forwards into effect, applying to all public companies (including EGCs).

We are members of the Council of Institutional Investors and support their letter to you. In particular, we back their call that the definition of Critical Audit Matters should not be narrow, but should in fact be drawn broadly so as appropriately to encompass matters relevant to long-term shareholders. We support the formulation proposed by the CII, that Critical Audit Matters encompass issues involving significant accounting judgement or estimation by management. We also agree that the auditor should make some indication about its findings in relation to these Critical Audit Matters. These changes would be more congruent with the emerging international approach as well as adding to investor confidence.

It may be useful for us to outline the use we as an investor make of enhanced auditor reports in those markets where they are already available. Where they exist, these are now one of the earliest elements of the company's annual reporting that we read. The issues which are highlighted in the auditor report are typically the more judgemental elements of the accounting, and therefore the ones on which we wish to focus one of our key assessments when understanding a company as a long-term investor: the approach and mindset of management and their approach to communications with shareholders. This informs our trust and comfort in remaining invested for the long term. The auditor reports therefore do not provide new information, but they do offer new – and highly valuable – insight. The issues highlighted often form an element of our discussions with both management and non-executive directors, discussions which increase our understanding of the company and of its prospects. This specific use that we make of the reports as part of our investment and stewardship processes is in addition to our clear view that the greater transparency that the auditor reports is of itself a good thing. The simple fact of greater disclosure should encourage better performance by the auditor in their role, and so also enhance the quality of company reporting.

We also strongly support the disclosure of auditor tenure in the auditor's report. This is important data to inform investor perceptions of auditor independence, and its disclosure is unhelpfully inconsistent in the US at the moment. Our current position is that we cannot support the reappointment of auditors who have been in place at a company for more than 50 years (notwithstanding our recognition of the rotation of individual members of the audit team); our experience of tenders for the audit and changes of auditor in those markets where this is now required is that bringing in a new firm with a different approach and perspective has been positive for audit quality. Even where there is no regular requirement to change auditor, mandating disclosure of tenure would allow auditors the scope to explain to shareholders why they should not regard long tenure as a matter of concern.

Yours sincerely



Paul Lee
Head of Corporate Governance