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Proposed Audit Reporting Changes: Considerations of Stakeholders' Perspectives

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HONORS THESIS

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I. Introduction

The Public Company Accounting Oversight Board (PCAOB) was created in 2002 as a component of the Sarbanes-Oxley Act of 2002. Previously self-regulated, auditors of publicly traded companies are now subject to oversight from an outside and independent organization. One primary mission of the PCAOB is to ensure the informational integrity and transparency of the auditor's report to benefit all relevant stakeholders (PCAOB 2014b). The Board is always looking for new ways to enhance the content of the report, and make it more useful for individuals. After months of substantial research and tests, the Board may choose to release a new proposal for an amendment to the report. Two proposed auditing standards were recently released by PCAOB to increase the information content of the audit reports. First, Release no. 2013-009 would require the name of the engagement partner to be disclosed in the audit report. In addition, the names, locations, and extent of participation of other accounting firms in the audit would also be disclosed (PCAOB 2013b). This is intended to increase the transparency of the audit process to financial statement users. Next, Release no. 2013-005 proposes that the auditor to communicate Critical Audit Matters (CAMS) in the audit report. The CAMs are areas of the financial statements which are subject to a higher risk of material misstatement (PCAOB 2013a). Overall, the proposals aim to improve the transparency and extent of information in public company audits while maintaining the mission of the PCAOB.

While both proposals still need final approval by both the PCAOB and the Securities and Exchange Commission (SEC), the previously mentioned changes would be the most significant to audit reporting in the last 40 to 50 years. The US auditor's report featured very little change since the 1940s, and many stakeholders believe that it does not provide enough information that is specific to a particular audit. Therefore, PCAOB strives to increase the information content of the report through the proposed auditing standards. This thesis will describe the existing audit report, the details of each proposal, and analyze and evaluate the comment letters related to the proposals that the PCAOB received from various financial reporting stakeholders (PCAOB 2013a). The results of my comment letter analysis suggest that the signature requirement would not increase audit quality, but may increase individual liability for the audit partner. The results also suggest that the inclusion of CAMs and other information would create confusion for users of the audit report, and may be costly to implement through increases in audit work and time. From this, one will be able to better understand what is included in the current audit report, and how the proposed auditing standards may impact the information content on a prospective basis.

II. The Audit Report & Related Documentation

The standard audit report is the end means of documenting and communicating the auditor's work in evaluation management's financial statements, and the communication of a report is expressly included in the Generally Accepted Auditing Standards (PCAOB 2013a). In the United States, the auditor's report has changed very little since the 1940s. The current pass/fail model being used is believed to be useful because of its clear and concise assessment of the fair presentation of the financial statements (PCAOB 2013a). In the early 1900s, auditors wrote free-form audit reports for each client, because no auditing standards existed at that time (PCAOB 2011). By the 1920s, the audit report was reduced to one paragraph and served as a certification by the auditor that the balance sheet was accurate. Understanding that the auditor's report was an opinion and not a guarantee, report wording was changed in 1934 to remove the term 'certify.' The audit report would be left unchanged until the 1980s, until pressures from congressional hearings and recommendations from the National Commission on Fraudulent Financial Reporting caused the formal addition of the scope paragraph (PCAOB 2011).

Today's traditional audit report consists of three key paragraphs: introductory, scope, and final opinion. The introductory paragraph highlights the financial statements and documents that have been audited and are part of the auditor's opinion. This paragraph also specifically outlines the responsibilities of management and the auditor during the engagement. For example, the preparation of the financial statements is the responsibility of the Company's management. The scope paragraph explains the nature of the audit, including basic methods used. It is important for the auditor to communicate that the audit can only provide reasonable assurance of conformity with GAAP and risk of material misstatement. The auditor will also outline the accounting principles used, and any estimates made by management within the financial statements. Lastly, the opinion paragraph details the auditor's final opinion based on all of the evidence obtained during the audit. The auditor will complete the report with a manual or printed signature of the name of the audit firm (AU Section 508).

In addition to the audit report, auditors are required to keep work papers that serve as a written record for the basis of their conclusions. Examples of such documentation include confirmations, schedules, letters of representation, and general correspondence. The auditor must document procedures performed, all gathered evidence, and conclusions as they pertain to relevant financial statement assertions. This documentation must contain sufficient detail to clearly demonstrate its purpose, source, and conclusions reached. It also must be detailed enough in order to enable an experienced auditor, with no prior connection to the engagement, the ability to fully understand the work that was done during the audit (PCAOB 2004).

It was not until recently that the content and informational value of the report has come under public scrutiny. Recent research about the sufficiency of the audit report has yielded mixed results. A survey by Asare and Wright (2009) of investors, auditors, and lenders found that the audit report is seen as useful to these decision makers. A report issued by the Center for Audit Quality (CAQ 2011) indicate that the unqualified audit report serves as a starting point for investors to make their decisions, and that the primary role of the auditor should not change. On the contrary, a focus-group study conducted by Gray et al. (2011) questions the sufficiency on the current audit report. Participants of this focus group included financial statement preparers, users, and external auditors. Results show that users have difficulty understanding key concepts in the audit report such as materiality and reasonable assurance. In addition, many participants voiced that they only look to see if the auditor’s opinion is unqualified, and do not actually read the report in full. A CFA Institute (2010) survey has also identified that stakeholders want more information in the audit report from the auditor. The survey results, communicated by Mock et al. (2011) show the following:

- 94% of participants want more information in the audit report
- 60% believe the report must contain more information about the audit process
- 72% want more information about the auditor’s independence; and
- 66% desire information about actual levels of assurance achieved in the audits

It is clear that investors and financial statement users want more audit specific information, as well as a report that is more transparent, in order to potentially make better investment decisions. This scrutiny has served as a catalyst for the proposed audit reporting changes being considered today. The PCAOB recognizes the perceived need for additional information about the audit process specific to each company, and the Board proposed two potential audit standards. The first could require the personal signature of the engagement partner on the audit report. The second could require the disclosure of CAMs and other information specific to each audit. I will discuss the details of each proposal in turn.

III. PCAOB Release No. 2013-009: Improving Transparency Through Disclosure of Engagement Partner and Certain Other Participants in Audits

In an effort to increase the transparency of public company audits, the PCAOB proposed this amendment that would require the disclosure in the auditor's report (1) the name of the engagement partner and (2) the names, locations, and extent of participation of other independent public accounting firms that took part in the audit. The Board's mission to provide "informative, accurate, and independent audit reports" would be further accomplished through the above disclosures (PCAOB 2013b). Investors and financial statement users should have access to as much meaningful information as possible about a public company so that they may make informed decisions about the company's financial strength and about the integrity of the company's management.

As it currently stands in the United States, only the name of the firm that issued the opinion is disclosed in the auditor's report. Although the US is not the only country that follows this lack of transparency, several other well-established jurisdictions follow a much different practice. Members of the European Union (EU), Taiwan, and Australia all require the disclosure of the names of the auditors conducting the audit, the engagement partner on the audit, or both. In addition, the International Auditing and Assurance Standards Board (IAASB) has also proposed a new requirement for audit firms to disclose the name of the engagement partner (PCAOB 2013b). If the proposal is adopted, all jurisdictions that follow IAASB standards will begin following this level of disclosure. It is just another indication that there is a global trend toward greater transparency about public company audits, as well as who is conducting them.

The PCAOB has always been pressured by investors to provide more information about the independent audit, particularly information about the auditors involved. It is believed that disclosure of the engagement partner's name would prompt them to perform their duties more carefully, and with a greater sense of accountability to the various end users of the auditor's report. It is not yet known what effect this proposal would have on audit fees or audit competition. The focus, however, would be to see an increase in audit quality as a result of a mandatory signing. It is important to note that the EU's policy of mandatory partner-level signatures is not expected to increase individual liability for the audit partner (Blay et al. 2012). The audit partner's name is already publicly available in the case of an audit failure (Mock et al. 2013). For this reason, reputation is the most likely reason for an increase in audit quality (Blay et al. 2012). Blay et al. (2012) attempts to gain greater understanding into audit quality effects of the EU's policy of mandatory partner-level signatures. It was difficult to create a powerful test to analyze effects of mandatory adoption of an engagement partner signature requirement. All EU member states adopted the policy at the same time, with no early or late control groups, making comparisons unreliable. Through multi-year analysis of audit quality in the Netherlands and United Kingdom, they were unable to find evidence to support the argument of improved audit quality when there is a requirement to disclose the engagement partner's name. Abnormal accruals, magnitude of accruals relative to cash flows, and earnings benchmark tests were used as proxies to test the audit quality effects (Blay et al. 2012). The two countries adopted partner-level signatures at different times, which allowed for comparison between a range of years when one country had already adopted the policy and the other had yet to require an audit partner signature.

The Board has been discussing the idea of disclosure requirements since 2005, when it started to consider ways to make the auditor's report more informative. It was not until July 28, 2009 that the PCAOB issued the concept release on the matter. Initially, many investors supported the requirement, while many other commenters expressed their concerns. Those opposed of the disclosure requirement believed it would result in an increase in the engagement partner's liability by making them the focus, and not the accounting firm as a whole. After over 2 years of experience and commenters' views, the Board issued the first proposing release on October 11, 2011, which proposed official amendment to the auditing standards that would require disclosure of the engagement partner's name in the auditor's report (PCAOB 2013b). Those that commented on this release were split. As was expected, accounting firms generally opposed the requirement to disclose the name of the engagement partner, while investors and some corporate officials argued in favor of the proposal.

On December 4, 2013 the PCAOB released proposal no. 2013-009 as the latest attempt to make disclosure amendments. The first part of this new proposal would require the disclosure of the name of the engagement partner for the most recent period's audit. Although this may not provide much useful information in the short term, a history of information about a specific partner will be developed over time. This, when connected with other information, could help investors and other financial statement users make better overall investment decisions. Public disclosure of the current engagement partner is just an initial first step in the development of information sources such as engagement, litigation, and education history (PCAOB 2013b).

The second component of release no. 2013-009 would require the disclosure of certain other participants in the audit. This information would either be included in a paragraph following the auditor's opinion, or in an appendix following the auditor's report. The information about other participants would include (PCAOB 2013b) :

- the name of the firm(s)/person(s)
- the country of headquarters, or primary country of residence (if single person)
- the percentage of work hours attributable to the audit performed by the other participants

The proposal would not require the disclosure of the following participants:

- individuals employed by the company to provide direct assistance to the auditor (internal auditors or other company personnel)
- individuals performing the engagement quality review (EQR)

As businesses become increasingly globalized, it is important to understand that many international companies are audited by PCAOB-registered public accounting firms (especially the ‘Big Four’). In these cases, it is likely that other firms from all over the world participated in the audits of these companies. As a measure of cost-effectiveness, the US-based accounting firm will sometimes allow the other participants to do a substantial amount of the total audit work, but will then sign their firm’s name on the bottom of the auditor report (PCAOB 2013b). Regardless of the degree at which other firms participated in the audit, this places all responsibility on the signing firm. Knowing the names, locations, and degree of participation of others in the audit would give users of the audit report the ability to research additional information about the participants. This falls directly in line with the PCAOB’s mission to make the audit report more transparent and contain more useful information for those that use it (PCAOB 2013b).

An immediate concern of this proposed amendment is in the effect it will have on litigation liability for all people named in the auditor’s report. While the Board has examined this concern since the proposal’s concept release, it believes the potential risk to a named engagement partner would be justified by the benefits to investors of increased transparency. The main source of potential liability is Section 11 of the Securities Act. Section 11 of the Securities Act creates liability for material misstatements or omissions in the auditor’s report, after giving consent to the inclusion of their names in the report (PCAOB 2013b). This would not change the performance obligations of the signed engagement partners, or any other participating auditor. The issuing firm would still file consent and be subject to the same liability as the engagement partner (PCAOB 2013b). The engagement partner could simply be added to the consent that the firm already provides, which would keep any additional administrative costs low. Litigation-related costs could be more significant than administrative costs, but not cause for concern. Naming the engagement partner within the audit report would only increase the number of defendants in a particular lawsuit, but would not necessarily increase the number of lawsuits filed (PCAOB 2013b). Although accounting firms and other participants may charge higher fees in response to a consent requirement, the Board believes the added information to the investor is valuable enough to justify the potential risks to the named auditors (PCAOB 2013b). Currently, the open comment period for this proposal is closed as of March 17th, 2014, and the staff is analyzing the comments received (PCAOB 2014).

IV. PCAOB Release No. 2013-005: Proposed Auditing Standards on the Auditor's Report and the Auditor's Responsibilities Regarding Other Information

In an effort to increase the informational value of the auditor’s report to its users, the PCAOB has created such a proposal that aims to increase the report’s value through providing more information about the particular audit. During a financial statement audit, auditors gather information concerning the company, its environment, and the preparation of the financial statements. Investors have expressed that they would benefit from this type of information, because much of it they do not already have access to. Auditors have much more insight into the companies that they audit, which leaves investors and users of the reports wishing the audit reports were more relevant to the specific audit.

The current audit report has not changed significantly since the early 1940s. The current reporting model struggles at best to address the increase in global business operations. Through outreach activities, the PCAOB has determined that the auditor’s report has little, if any, communicative value. In addition, the PCAOB is facing external international pressures to change its audit report structure (PCAOB 2013a). Several international standard setters, including the IAASB, have been making similar attempts to change their auditor reports.

The Board's proposed standard would keep the current pass/fail model, as well as the basic elements of the current auditor's report. The auditor would be required, however, to communicate critical audit matters (CAMs) within the auditor's report that would be specific to each audit (PCAOB 2013a). CAMs include issues during that audit that involved the most difficult or complex auditor judgments, or were the most difficult in gathering an appropriate amount of audit evidence. If this information is made available to investors and financial statement users, it could bridge the gap of information asymmetry that exists between company management and the investors. Under this proposed standard, the critical audit matters would be described in the auditor's report as such (PCAOB 2013a):

- Identifying the critical audit matter,
- Describing the factors that led to the decision that the matter was a critical audit matter; and
- Using related accounts and disclosures to support the CAM if necessary

This information on CAMs could allow the investor to take a closer look at the parts of the financial statements the auditor found to be challenging. Management usually knows the challenging areas of the audit due to their regular communications with the auditors during the audit. The investors do not get to communicate to the auditors before, during, or after the audit, and therefore do not have the same access to the same information. This proposal aims to alleviate this issue through the inclusion of CAMs in the body of the auditor's report.

Christensen et al. (2014) analyzed how investors react to a CAM paragraph centered on the audit of fair value estimates, compared to how investors react to fair value footnote disclosures. The Financial Accounting Standards Board (FASB) and the International

Accounting Standards Board (IASB) have required fair value footnote disclosures to help investor understanding of its inherent uncertainty (Christensen et al. 2014). It is argued that a CAM paragraph draws more attention, takes less effort to process, and has higher source credibility than footnote disclosures. The results are consistent with the auditors' expectation.

Sirois et al. (2013) used eye-tracking technology in an experiment to examine how the inclusion of CAMs affects the way users read the report and integrate the information in the related financial statements. Using post-graduate accounting students, participants were given one of four different audit reports, and an evaluation was conducted of each participant's behavior. Research suggests that users of audit reports are often faced with cognitive overload, where a task demands too much from their cognitive resources (Mayer and Moreno 2003). Results of the experiment show the disclosure of CAMs within the audit report significantly affects users' information acquisition (Sirois et al. 2013). Participants paid closer attention to items that were disclosed within a CAM paragraph, and were able to more quickly access the related disclosure in the financial statements (Sirois et al. 2013).

Although the disclosure of CAMs may improve users' ability to process key information within the financial statements, other research suggests it may affect jurors' assessments of auditor liability. A study conducted by Goodson et al. (2014) examines the standards by which jurors assess auditor negligence when a CAM paragraph is present in the audit report. The study uses undergraduate students in a mock trial alleging auditor negligence, and an audit report that was manipulated on the basis of an emphasis paragraph and clarifying language (Goodson et al. 2014). Results show the following evidence regarding perceived auditor negligence (Goodson et al. 2014):

- Jurors are less likely to view auditors as negligent when the term *reasonable assurance* is clarified within the audit report,

- Jurors are more likely to view auditors as negligent when a CAM is identified, specific audit procedures to address the matter are described, but there is no clarifying language; and
- Jurors negligence assessments are not affected by clarifying language when a CAM is disclosed with no audit procedures to address the matter

The evidence from this study provides unique insight into the affect this audit reporting change could have for auditor's litigation exposure. Changes to litigation risk could have negative consequences for audit quality and audit fees (Goodson et al. 2014).

The "other information" standard in this proposal focuses on information contained in the documents that include audited financial statements, but not the information in the financial statements themselves. This would force the auditor to focus more attention on potential material misstatements between the other information and the company's audited financial statements. The auditor would be able to identify such inconsistencies that may be much more difficult for investors and other financial statement users to find otherwise. These mistakes occur due to a number of reasons, ranging from unintentional error to malicious misreporting. Ensuring the consistency between the audited financial statements and the other information within the same documents would increase the amount of quality information available to users.

The public comment period for this proposal closed on December 11th, 2013. The Board held a public meeting on April 2-3, 2014 the proposal and comments received. The Board decided to reopen the comment period until May 2nd, 2014 to give commenters the opportunity to offer additional views (PCAOB 2014).

V. Research Methods

Every PCAOB concept release and proposed set of amendments comes with the opportunity for public comment. Any member of the public is allowed to submit a letter to the

PCAOB, which is then posted in order of submission under the related docket number. The majority of submissions come from current and retired CPAs, public accounting firms, multinational corporations/organizations, and various CPA society groups. The public comments allow the PCAOB to gain additional insight and knowledge on an issue they are proposing to solve. This, along with months of discussion, may lead the PCAOB to draft up a new proposal or approve the current release. Once the proposal has been adopted by the PCAOB, it must be filed and approved by the Securities and Exchange Commission (SEC) to become effective (PCAOB, 2014c).

In an effort to capture the public's views on the two proposals of interest, a common method of content analysis was conducted to provide data on the persons and organizations commenting, whether or not they support the proposal, and the reasoning behind their arguments. For each proposal, dozens of comment letters were downloaded, read, and analyzed. Due to time and data constraints, a haphazard sample was used for this paper. For Release No. 2013-009, 43 comment letters were available at the time of this analysis, and all were used. Release No. 2013-005 received over 200 comment letters, but only 51 were analyzed to capture a sample of the whole. The following information was extracted from each (which is included in Appendix 1):

- Author of comment letter
- Author's Company/Organization (if applicable)
- Support of the proposal (Y/N)
- Summary of reason(s) behind argument

Between the two proposals, a total of 94 comment letters were read and analyzed.

VI. Results

The results of the comment letter analysis serve as only a sample of the whole. Although not all of the letters available were analyzed and accounted for, a series of trends made it possible to make certain conclusions from the data. For PCAOB Release No. 2013-009, 58.1

percent of respondents were not in favor of the disclosure of the engagement partner and other audit participants (Table 1). Of those in favor, 15 were from independent organizations and stakeholders, six audit firms, three university professors, and one preparer (Table 2). Those respondents that were not in favor of the proposal cited two primary arguments.

First, the disclosure of the engagement partner's name and signature would not improve audit quality, and is not meaningful information overall. Engagement partners already work to produce accurate and complete reports for their clients. Adding their signature to the bottom of the report will not give investors and financial statement users any additional information of value. The specific disclosure of the engagement partner places too much emphasis on the role of one individual. Although the partner is responsible for the outcome of the audit report, the work leading up to the end product is conducted by a team of many members. This may create confusion for users of the audit report (Table 3).

Second, the disclosure of the engagement partner could increase unnecessary liability for that individual. Aside from litigation liability, auditor's professional reputations are at risk of being attacked. Through the next decade, data will be accumulating about each engagement partner. Any blemish in their records may affect their ability to attract new clients. On the other hand, auditor's names are generally disclosed to the public in the case of audit failure. So if the audit fails, it would not have mattered if the audit partner was required to sign their name on the report to begin with (Table 3).

Of the 41.9 percent of respondents that were in favor of this mandatory disclosure policy, their primary arguments were mirror opposites from that not in favor. Respondents believed that requiring the signing of the audit partner's name in the audit report would improve audit quality, transparency, and accountability (Table 3). Although an auditor's name would be disclosed in the event of an audit failure, the protection of their reputation is ultimately on the line. Recent studies support the notion that a personal signature increases honesty and integrity (Davidson and Stevens 2010), and can lead to increased moral reasoning and lower misreporting of private information (Blay et al. 2012).

It is important to also consider the opinions of the “Big Four” audit firms. These four firms audited more than 98.0 percent of the global market capitalization of U.S. issuer companies, or approximately $25.9 trillion, based on year-end 2012 data (Accountability: Protecting Investors, the Public Interest and Prosperity). These firms’ opinions are highly influential because they are regarded as the public’s thought leaders in auditing. The “Big Four” audit firms were all not in favor of this proposal, except for Deloitte & Touche, LLP (Table 4). Deloitte & Touche supports the disclosure of the engagement partner’s signature, but not in the audit report (Deloitte & Touche Comment Letter #27, 2013). The firm believes a more feasible approach would be to create a database containing all of the required information in this proposal, which could be accessed by the public. Under this approach, it is believed that investors will have a single database to locate pertinent information about an audit firm or individual engagement partner (Deloitte & Touche Comment Letter #27, 2013). The other Big Four firms (EY, PricewaterhouseCoopers, and KPMG) all believe the current proposal would result in logistical challenges, litigation risk, and increased audit time and fees.

For Release No. 2013-005, 68.6 percent of the respondents were not in favor of the proposal to include CAMs and other information into the body of the audit report (Table 5). This includes 5 audit firms, 2 university professors, 26 independent organizations, and 2 stakeholders (Table 6). The two main arguments from those not in favor are that it would create confusion for investors and financial statement users, and it would increase audit costs and time constraints

(Table 7). Discussing accounting or internal control matters that did not require disclosure under U.S. GAAP or affect the auditor's final opinion may create this confusion for investors. Such disclosure may also weaken investor confidence in the auditor's opinion on the financial statements and the effectiveness of internal controls. Also, determining what matters are "critical" involves a significant amount of subjectivity, which may result in many additional disclosures. These additional disclosures require substantial additional work for the auditors and company employees, which could increase costs and time constraints. These arguments were resonated at the recent PCAOB Public Meeting on April 2-3, 2014 regarding CAMs and other information in the audit report. Kevin B. Reilly, Americas Vice Chair, Professional Practice and Risk Management at Ernst & Young believes that the current impact on reporting is unnecessary. Reilly believes the specific reporting examples in the proposing release are too lengthy. Reilly, speaking on behalf of Ernst & Young, LLP, supports the disclosure of CAMs and other information, but in a format that is much more concise while still completing the objectives of the proposal (PCAOB 2014d). The other three major accounting firms also support the proposal to disclose CAMs within the audit report, and offer similar constructive suggestions (Table 8). The primary concern moving forward is clearly interpreting what should be considered a critical audit matter, and how it should be disclosed in the report in a clear and concise manner.

VII. Conclusion

In an effort to improve the transparency and informational value of the auditor's report, the PCAOB has issued two proposals to accomplish these objectives. The first proposal, release no. 2013-009, would require the personal signature of the engagement partner on the audit report. Other participants during the audit would also have to be disclosed, including the degree of participation (PCAOB 2013b). Results show that the public commenters are generally not in favor of this proposal. It is argued that this proposal will not improve audit quality, and may increase individual liability to the audit partner. The comment period for this proposal is closed, and information is currently being gathered from the letters before any next step is taken (PCAOB 2014a). Further research should be conducted to evaluate the audit partner's signature effect on audit quality.

The second proposal, release no. 2013-005, would require the disclosure of critical audit matters and other information specific to each audit. This information would be included in the audit report as its own distinct paragraph (PCAOB 2013a). Results from public comment show that respondents are not in favor of this proposal. It is argued that this disclosure requirement would create confusion for users of the report, would be costly to implement, and would not provide any meaningful information to investors. The comment period for this proposal is now closed. The Board is reviewing information from the comment letters as well as from the public meeting before any next step is taken. The Board should continue discussions to create a flexible definition of a CAM, and take steps to consolidate the reporting requirement to decrease this proposal's impact on audit work, time, and fees.

VIII. Appendix

Table 1:

Release No. 2013-009		
	# of Respondents	% of Respondents
In Support	18	41.9%
Not in Support	25	58.1%
Total	43	100.0%

Table 2:

Type	**In Favor**	**Not in Favor**
Audit Firm	1	6
Academic	1	3
Peparer	3	1
Independent Organization	7	10
Stakeholder	6	5
Total	18	25

Table 3:

Comment Letter Responses	
In Favor	Not in Favor
Will improve audit quality (4)	Will not improve audit quality (8)
Will increase transparency & accountability (4)	Risk to those named on the audit (8)

Table 4:

Firm	Support	Reason(s)
Deloitte & Touche LLP	Y	Supports disclosure of engagement partner, but not in the auditor's report; increased liability under Section 11 of the Securities Act
EY LLP	N	Will result in operational challenges that will increase the cost, complexity, and time required for a company to access the capital markets
KPMG LLP	N	Litigation risks & logistical challenges from the need to obtain a consent
PwC LLP	N	May not provide meaningful information to the users, also potential litigation risk

Table 5:

Release No. 2013-005		
	# of Respondents	% of Respondents
In Support	16	31.4%
Not in Support	35	68.6%
Total	51	100.0%

Table 6:

Type	**In Favor**	**Not in Favor**
Audit Firm	5	5
Academic	0	2
Peparer	1	0
Independent Organization	9	26
Stakeholder	1	2
Total	16	35

Table 7:

Comment Letter Responses	
In Favor	Not in Favor
Will enhance informational value to users (16)	May create confusion for users (11)
Will enhance auditor communications (16)	Costly to implement (9)

Table 8:

Firm	Support	Reason(s)
Deloitte & Touche LLP	Y	See constructive suggestions (Docket No. 34, Comment Letters 132, 143, 179, 228)
EY LLP	Y	
KPMG LLP	Y	
PwC LLP	Y	

Table 9:

Release 2013-009					
Name	Company/ Organization	Respondent Type	Date Submitted	Support Audit Change?	Reasons
Thomas F. Palmeri, CPA		P	12/4/2013	Y	Partner already must sign name when applying for financing, purchasing buildings, filing tax reports
Faith Bautista, President and CEO	National Asian American Coalition	IO	12/6/2013	Y	
Carolyn J. Ridpath, Compliance Specialist	Vermont Economic Development Authority	IO	12/6/2013	Y	USA is trying to move towards more transparency and responsibility
Farlen Halikman		S	12/27/2013	N	Would make it easier for the audit partner to be hunted down
Dennis R. Beresford, Executive in Residence	J.M. Tull School of Accounting, The Univ. of Georgia	A	1/6/2014	N	Not meaningful information/will not increase accountability
Nancy J. Schroeder, CPA, Chair, Financial Reporting Committee	Institute of Management Accountants	IO	1/21/2014	N	Would not result in improved audit quality
Andre Kilesse, President	Federation of European Accountants	IO	1/22/2014	Y	
Charles H. Noski		S	1/13/2014	N	
Carlos E Johnson, CPA, Chair	National Assoc. of State Boards of Accountancy	IO	1/24/2014	Y	

Release 2013-009					
Name	Company/ Organization	Respondent Type	Date Submitted	Support Audit Change?	Reasons
James L. Fuehrmeyer, Jr. MBA, CPA	University of Notre Dame	A	1/22/2014	N	places too much emphasis on the role of one individual
	McGladrey LLP	AF	1/29/2014	N	does not provide the appropriate context around or insight into the partner's work experiences or skill level
Jim Cusenza		S	1/30/2014	N	inference that one partner's signature is better or more valuable than another
Sherman L. Rosenfield, CPA		P	1/30/2014	N	unnecessarily dilute a stakeholder's focus
Chris Barnard, Actuary		S	1/30/2014	Y	Will increase transparency and accountability; improve partner's standard of professionalism
Gilbert F. Viets		S	1/31/2014	Y	partner will take their involvement more seriously

Release 2013-009					
Name	Company/ Organization	Respondent Type	Date Submitted	Support Audit Change?	Reasons
Steven Morrison, CPA, Chair, FICPA Accounting Principles and Auditing Standards Committee	Florida Institute of Certified Public Accountants	IO	2/3/2014	N	investors would not have all the facts needed to judge the partner's performance and expertise
William F. Casey, Jr., retired CPA		S	2/2/2014	Y	improved audit reporting/ information overload
David York	Association of Chartered Certified Accountants	P	2/3/2014	Y	
James J. Gerace, CPA, Chair, Audit and Assurance Services Committee	Illinois CPA Society	IO	2/3/2014	N	
Senator Carl Levin, Chairman, Permanent Subcommittee on Investigations	US Senate Committee on Homeland Security and Gov't Affairs	IO	2/3/2014	Y	
Nick O. Sagona, Jr.		S	2/3/2014	N	Risk to those named on the audit
Sandra K. Brown, CPA, Chair, Professional Standards Committee	Texas Society of CPAs	IO	2/3/2014	N	No useful purpose
Cynthia M. Fornelli, Executive Director	Center for Audit Quality	IO	2/3/2014	N	Could result in practical challenges and liability

Release 2013-009					
Name	Company/ Organization	Respondent Type	Date Submitted	Support Audit Change?	Reasons
Ashley W. Burrowes PhD, CMA, FCA, Visiting Professor	Univ. of Canterbury	A	2/1/2014	N	
PW Carey		S	2/3/2014	N	
William R. Kinney, Jr., Charles and Elizabeth Prothro Regents Chair in Business	McCombs School of Business, The Univ. of Texas at Austin	A	2/3/2014	Y	
	Deloitte & Touche LLP	AF	2/3/2014	Y	
Al Khan		S	2/3/2014	Y	Would provide transparency/ should also include # years experience
	BKD, LLP	IO	2/3/2014	N	would not improve audit quality, and investors would suffer unintended consequences
Nicholas J. Satriano, Chief Accountant and Senior Associate Director	Federal Housing Finance Agency	IO	1/31/2014	Y	engagement partner plays a critical role in ensuring the overall quality of the audit

Release 2013-009					
Name	Company/ Organization	Respondent Type	Date Submitted	Support Audit Change?	Reasons
J. Michael Kirkland, President	NY State Society of CPAs	IO	2/4/2014	N	this info would be better off in another place like the PCAOB's periodic reporting forms
	PwC LLP	AF	2/4/2014	N	may not provide meaningful information to the users, also potential litigation
Michael D. Feinstein, Chair, Accounting Principles and Auditing Standards Committee	CA Society of CPAs	IO	2/4/2014	N	will be of little use to anyone
Katharine E Bagshaw FCZ, Audit and Assurance Faculty	Institute of Chartered Accountants in England and Wales	IO	2/5/2014	Y	investors want it, and it will do no harm
	BDO USA, LLP	IO	2/6/2014	N	does not provide meaningful information
William Casey, CPA retired		S	2/1/2014	Y	engagement partner used to sign his/her name back in 1966
Charles T. Fagan, CPA, MBA, CGMA, CFE		P	2/10/2014	Y	signing partner has ultimate responsibility

Release 2013-009					
Name	Company/ Organization	Respondent Type	Date Submitted	Support Audit Change?	Reasons
Ken Daly, President and CEO; Reatha Clark King, Chair	National Assoc. of Corporate Directors	IO	2/10/2014	N	Will not provide worthwhile information to investors
	EY LLP	AF	2/12/2014	N	
	Grant Thornton LLP	AF	2/3/2014	N	
	Crowe Horwath LLP	AF	2/12/2014	N	not sufficient objective data and research to support this
Charles A. Bowsher		S	2/26/2014	Y	increased audit work quality
	KPMG LLP	AF	3/13/2014	N	litigation risks

Respondent Type: Legend	
AF	Audit Firm
A	Academic
P	Preparer
IO	Independent Organization
S	Stakeholder

Table 10:

Release 2013-005					
Name	Company/ Organization	Respondent Type	Date Submitted	Support Audit Change ?	Reasons
Mary Ellen Oliverio		S	8/13/2013	N	
Theresa Barnett, CPA		P	9/2/2013	Y	Would assist public investors
Charles J Siegel, Senior Vice President-Finance	Anworth Mortgage Asset Corporation	IO	9/25/2013	N	potential to create misunderstanding by the investors, blur the roles between auditors, management, and the audit committee, costly to implement
Arthur J. Radin	Radin, Glass & Co., LLP	AF	10/7/2013	N	would add no information for users of financial statements; costs issuers money
Dennis R. Beresford, Executive in Residence	Univ. of Georgia	A	10/11/2013	N	make it more difficult for readers to even locate the opinion
Karim Jamal, CA Chair Professor	Univ. of Alberta, School of Business	A	10/14/2013	N	likely to produce uninformative and longer reports
Steven E. Buller, Managing Director	BlackRock, Inc.	IO	10/30/2013	Y	would enhance auditor communications and information useful to users
Jack Henry		S	11/4/2013	N	These proposals will not solve any existing problem

Release 2013-005					
Name	Company/ Organization	Respondent Type	Date Submitted	Support Audit Change ?	Reasons
Steven Morrison, CPA, Chair, Accounting Principles and Auditing Standards Committee	FL Institute of Certified Public Accountants	IO	10/18/2013	N	
Nancy J. Schroeder, CPA, Chair, Financial Reporting Committee	Institute of Management Accountants	IO	11/12/2013	N	would increase audit time, and would not achieve the intended objective
Chris Barnard, Actuary		S	11/18/2013	Y	increase understanding of the audit process and its risks, reliance, and limitations
Sherman A Myers, Director, Corporate and Government Ratings	Standard & Poor's Ratings Services	IO	11/21/2013	Y	will increase the usefulness of the report
Michael D. Feinstein, Chair, Accounting Principles and Auditing Standards Committee	CA Society of CPAs	IO	11/25/2013	N	results in a perceived difference in audit quality when none should exist

Release 2013-005					
Name	Company/ Organization	Respondent Type	Date Submitted	Support Audit Change ?	Reasons
Lee White, CEO	Institute of Chartered Accountants Australia	IO	12/2/2013	N	could create unnecessary complication for users and can inhibit understanding and confidence in the audit process
Richard D. Levy, Executive Vice President & Controller	Wells Fargo & Company	IO	12/2/2013	N	may be construed as creating a perception that there may be weaknesses or deficiencies in management's judgment, FS estimates, or Internal Controls
Roger Harrington, Vice President & Chief Accounting Officer	BP p.I.c.	IO	12/3/2013	N	may duplicate information presented as critical accounting policies or judgments
Jack T. Ciesielski, President	R.G. Associates, Inc.	IO	12/4/2013	Y	
scar Munoz, Audit Committee Chairman, Board Member	United Continental Holdings, Inc.	IO	12/6/2013	N	
	BBD, LLP	AF	12/9/2013	N	
Tom Quaadman, Vice President	U.S. Chamber of Commerce, Center for Capital Markets Competitiveness	IO	12/9/2013	N	does not address investor needs by creating overlap and competition with other regulatory mandates

Release 2013-005					
Name	Company/ Organization	Respondent Type	Date Submitted	Support Audit Change ?	Reasons
Gregory Giugliano, Partner-in-Charge of Assurance Services	Marcum LLP	AF	12/9/2013	N	could result in a perceived difference in audit quality where none exists
Brandon Rees, Acting Director, Office of Investment	American Federation of Labor and Congress of Industrial Organizations	IO	12/9/2013	N	must be further strengthened to provide investors with useful new information
	WeiserMazars LLP	AF	12/9/2013	N	
Sandra K. Brown	Texas Society of CPAs	IO	12/10/2013	N	
Terrence R. Marcinko, Director Finance & Accounting	Aerospace Industries Association	IO	12/9/2013	N	takes too much time
Loretts V. Cangialosi	Pfizer Inc.	IO	12/10/2013	N	will not result in improved quality of the audit and may cause less focused quality checks
David York, Head of Auditing Practice	Association of Chartered Certified Accountants	IO	12/10/2013	Y	
Carlos E. Johnson, NASBA Chair	NASBA	IO	12/9/2013	Y	
Mary Kay Scucci, Managing Director	SIFMA	IO	12/10/2013	N	

Release 2013-005					
Name	Company/ Organization	Respondent Type	Date Submitted	Support Audit Change ?	Reasons
Mark Davies, Chair	Auditing and Assurance Standards Board Canada	IO	12/11/2013	N	may create confusion for readers of auditor's reports on financial statements of Canadian SEC registrants
Renee Rampulla, Leader Accounting and Auditing Standards Interest Group	NJ Society of CPAs	IO	12/10/2013	N	inclusion of CAMs may create incorrect perception that there are varying degrees of an unqualified report
	McGladrey LLP	AF	12/10/2013	N	would not provide investment-decision-useful-information/could alter the roles of management and the auditor
	Capital Group	IO	12/9/2013	N	users may misinterpret multiple CAMs as an issue of FS quality
J. Michael Kirkland, President	NY State Society of CPAs	IO	12/10/2013	N	
Luca Maestri, Vice President and Corporate Controller	Apple, Inc.	IO	12/10/2013	N	will not enhance the auditor's reporting model, and will increase the cost and scope of the audit

Release 2013-005					
Name	Company/ Organization	Respondent Type	Date Submitted	Support Audit Change ?	Reasons
James Campbell, Finance Vice President and Corporate Controller	Intel Corporation	IO	12/10/2013	N	may blur the lines of responsibility between management and the auditor
George S. Davis, Executive VP and CFO	Qualcomm Incorporated	IO	12/10/2013	N	could be confusing to investors and other FS users/ would result in an increase in audit fees
Andre Kilesse, President	Federation of European Accountants	IO	12/11/2013	Y	
Cynthia M. Fornelli, Executive Director	Center for Audit Quality	IO	12/11/2013	Y	
Sayaka Sumida, Executive Board Member-Auditing Standards	The Japanese Institute of CPAs	IO	12/11/2013	N	
John L. Merino, Corporate VP and Principal Accounting Officer	FedEx Corporation	IO	12/11/2013	N	CAMs will not address the issues in the PCAOB proposal

Release 2013-005					
Name	Company/ Organization	Respondent Type	Date Submitted	Support Audit Change ?	Reasons
James J. Gerace, CPA, Chair, Audit and Assurance Services Committee	Illinois CPA Society	IO	12/11/2013	N	will not provide meaningful information, will be costly to produce
Chet Hebert, Chairman & CEO	Colorado Financial Service Corporation	IO	12/11/2013	N	will inflict significant costs, with little or no relevance to the mission of the PCAOB
	Deloitte & Touche LLP	AF	12/11/2013	Y	
	PwC LLP	AF	12/11/2013	Y	
	Grant Thornton LLP	AF	12/11/2013	Y	
Bernard F. Pliska, VP, Corporate Controller, Principal Accounting	Nike, Inc.	IO	12/11/2013	N	would not provide material benefits but may cause confusion to investors, increase costs
	KPMG LLP	AF	12/11/2013	Y	
Glenn W. Reed, Managing Director, Strategy and Finance Group	Vanguard	IO	12/11/2013	Y	
	EY LLP	AF	12/18/2013	Y	

Release 2013-005					
Name	Company/ Organization	Respondent Type	Date Submitted	Support Audit Change ?	Reasons
Robert F. Storch, FDIC	FDIC	IO	2/6/2014	Y	will provide useful information

Respondent Type: Legend	
AF	Audit Firm
A	Academic
P	Preparer
IO	Independent Organization
S	Stakeholder

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