

PCAOB Rulemaking Docket Matter No. 40: Proposed Framework for Reorganization of PCAOB Auditing Standards

A consultation issued by the Public Company Accounting Oversight Board

Comments from ACCA

21 May 2013

ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants. We aim to offer business-relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management.

We support our 154,000 members and 432,000 students throughout their careers, providing services through a network of 83 offices and centres. Our global infrastructure means that exams and support are delivered – and reputation and influence developed – at a local level, directly benefiting stakeholders wherever they are based, or plan to move to, in pursuit of new career opportunities.

www.accaglobal.com

Further information about ACCA's comments may be obtained from:

David York



Head of Auditing Practice, ACCA
Email: david.york@accaglobal.com

ACCA welcomes the opportunity to provide comments relating to *Rulemaking Docket Matter No. 40* issued for comment by the Public Company Accounting Oversight Board (PCAOB).

GENERAL COMMENTS

We agree with the PCAOB's view that reorganisation of the existing auditing standards into a topical structure with a single integrated numbering system will help users navigate the standards more easily. We acknowledge that anything more than this would necessitate considerable effort, which would be difficult to justify at this time. We understand, in particular, the complexity of aligning the organisational structure to that of the International Auditing and Assurance Standards Board (IAASB), because the standards deal with topics in different combinations.

As noted in the proposal: 'Although the PCAOB may seek to eliminate unnecessary differences from the standards of the IAASB and ASB, the PCAOB does not necessarily seek to mirror those standards because PCAOB standards must reflect the requirements of the U.S. federal securities laws and rules.' This circumstance, in relation to the standards of the IAASB, is often encountered around the world. A common solution has been to adopt the International Standards on Auditing (ISAs) (sometimes with a jurisdictional name – such as ISAs (UK and Ireland)) and add further requirements and material to accommodate jurisdictional laws and regulations.

Such an approach would be the optimum long-term solution, as it simplifies the reconciliation between sets of standards and provides



assurance to investors that PCAOB auditing standards meet or exceed the requirements of their international counterparts.

SPECIFIC COMMENTS

In this section of our response we provide answers to the first three questions concerning the proposals. We have not sought to answer questions 4 to 11.

Question 1 Is the proposed framework for reorganizing PCAOB auditing standards appropriate and an improvement over the existing structure of the PCAOB auditing standards? Are there ways to improve the proposed reorganization framework?

It is clear that the existing structure is unsuitable in the long term. A reorganisation that acknowledges the flow of the audit process is an acceptable approach, as has been recognised by other standard setters over the years.

Question 2 Would the proposed reorganization described in this release help users navigate the standards more easily, help avoid potential confusion between the Board's standards and the standards of the ASB, and provide a structure for updating PCAOB standards in the future? Are there other potential benefits the Board should be aware of in considering its proposed reorganization?

User navigation of the standards will be enhanced because materials will no longer be in two series of documents. We would have liked to have seen the consultation pay more attention to how the standards are to be made available electronically, however, as the approach envisaged seems to be rooted in the needs of an environment in which the main means of access is by reading a large paper book. That

format has influenced the thinking behind auditing standards, whether that is the 'one standard at a time' approach to updating or the illusion that planning is before execution, when in reality planning continues throughout the audit. In the long term, structures for standards are likely to become more context specific so that information communicated is directly relevant to user needs. If the PCAOB is not currently minded to align directly with international standards, it may be well placed to take a pioneering role in devising appropriate structures and means of delivery.

We do not believe that there is any significant risk of potential confusion with the standards of the ASB, so long as the names of the two series are different; which they are. It is not necessary to introduce a four digit reference as a device to mitigate potential confusion. The standards of the IAASB and the ASB share common reference numbers and the benefits of that outweigh any possible confusion.

Question 3 Are the categories and subcategories of auditing standards in the proposed reorganization framework appropriate and an improvement over the existing organizational structure of PCAOB auditing standards?

The categories and subcategories improve on the existing structure but the numbering structure has some characteristics that are not properly explained and which may not be optimum:

- A four digit system potentially allows reference to up to 9,999 documents. Given that there are less than a hundred documents the 'empty space' seems excessive.

- One possible use of empty space is to allow future flexibility. However, in many places documents are numbered 1, 2, 3, 4, and so on restricting this possibility.
- Where documents within a section are not numbered consecutively (for example, 3101 *Reports on Audited Financial Statements*, 3105 *References in Auditors' Reports to the Standards of the Public Company Accounting Oversight Board*, 3110 *Dating of the Independent Auditor's Report*) questions are raised as to the significance of the numbering.
- Sections 3200 and 5000 are 'reserved' but the nature of the content (if any in due course) could simply be accommodated at the end of the numbering sequences without putting in place such markers.



Ref: TECH-CDR-1209