

Office of the Secretary  
Public Company Accounting Oversight Board  
1666 K Street, N.W.  
U.S.A.

March 31, 2003

**Re: Comments with Regard to Rulemaking Docket Matter No. 001**

Dear Mr Secretary,

RSM International is pleased to have the opportunity to send you our comments with regard to the registration of non-U.S. auditors and the Board Oversight of Foreign Registered Public Accounting Firms as described in the Public Accounting Oversight Board's (hereafter "the Board") proposed rules, issued on March 7, 2003 in connection with Section 102 of the Sarbanes-Oxley Act 2002.

We understand and appreciate the objectives of the Sarbanes-Oxley Act. We fully support improvements in the quality of financial reporting, corporate governance, and in the definition of the role and responsibilities of auditing firms.

RSM International, the sixth largest network of accounting firms in the world, has been making significant investments in implementing an integrated audit quality assurance process for its member firms. These member firms operate in over 70 countries and are required to comply with the RSM International Quality Assurance Policies as a condition of remaining member in RSM International. Our integrated audit quality assurance process includes the following:

- a. The RSM International Quality Assurance Document, based on the International Quality Assurance Standards: Member firms are required to meet or exceed the requirements of this document;
- b. The RSM International Independence and Relationship Policies, based on the International Federation of Accountants Code of Ethics and the requirements of the SEC: Member firms are required to meet or exceed the requirements of these policies;
- c. The RSM International Audit Manual, based on the International Standards on Auditing and the best global audit practices: Member firms are required to conduct audits and other assurance engagements in accordance with, at a minimum, the requirements of the manual;
- d. The RSM International guidelines for continuing professional education, based on the best global practices: Member firms are required to implement these guidelines;
- e. A global prohibited securities list, which is available on our world-wide proprietary Lotus Notes Network: The list is continuously updated and is accessed by our professionals to prevent inappropriate investments or relationships or the performance of prohibited services for audit clients;

- f. An annual independence confirmation process involving all personnel in all member firms; and
- g. A worldwide annual inspection process involving all of our member firms: The process has been designed based on standards applicable to internal inspection in the United States.

We believe that our international quality assurance process makes a significant contribution to improving the quality of audits by our member firms.

We, hereby, submit the following comments on certain questions raised by the Board with regard to the registration of foreign public accounting firms in its Release No. 2003-1.

**Question 1 - Is it feasible for the foreign public accounting firms to register within 180 days of the date of the Commission's determination that the Board is capable of operating? Should foreign public accounting firms be afforded some longer period (e.g. an additional 90 days) within which to register?**

We believe foreign public accounting firms should be afforded a longer period of time within which to register. Our member firms raised several concerns regarding the nature and scope of the information the Board is requesting. One category of concerns relates to the time and cost involved in compiling information that is not currently being routinely compiled. Another category of concerns relates to legal issues, in some jurisdictions, regarding the disclosure of certain items that are protected by privacy laws.

In view of these concerns, the Board should afford foreign public accounting firms a longer period of time within which to register. We believe that a reasonable period of time is 360 days provided, however, that the Board addresses the legal issues that may impact the ability of foreign public accounting firms to fully comply with the disclosure of the requested information.

**Question 2 - Are there any portions of Form 1 that are inapplicable, or that should be modified, in the case of non-U.S. applicants?**

Disclosure of a number of items as currently set out may be illegal in some jurisdictions. Consideration should be given by the Board to resolving the legal issues before Form 1 is finalized for foreign public accounting firms.

**Question 3 – In addition to the information required by Form 1, is there any additional information that should be sought from non-U.S. applicants?**

No.

**Question 4 – Do any of the Board's registration requirements conflict with the law of any jurisdiction in which foreign public accounting firms that will be required to register are located?**

Please see responses to questions 1 and 2.

**Question 5 – In the case of non-U.S. firms that are required to register because they play a substantial role in the preparation and furnishing of an audit report on a U.S. issuer, is the Board’s definition of “substantial role” appropriate?**

Yes and we believe that the 20 percent threshold is appropriate.

**Question 6 – Should the requirements to register be different for foreign public accounting firms that are “associated entities” (as defined in the Board’s rules) of U.S. registered public accounting firms than for foreign firms that are not associated with U.S. registered firms?**

We do not believe that association with a U.S. registered public accounting firm should be the differentiating factor. We believe that foreign public accounting firms that belong to an international network which has implemented an effective quality assurance process should be afforded the opportunity, if they wish, to register as one network. The Board should consider establishing criteria/requirements for this suggested approach to registering foreign public accounting firms. We believe that by establishing such criteria/requirements, international networks of public accounting firms would be encouraged to place additional focus on implementing effective quality assurance processes encompassing their member firms outside the United States.

**Question 7 - Should registered foreign public accounting firms be subject to Board inspection? Could the Board, in some cases, rely on home -country regulation in lieu of inspection of foreign accounting firms? If so, under what circumstances could this occur?**

We believe that the Board should rely on home-country regulation in lieu of inspection of foreign public accounting firms when home-country regulation meets or exceeds the Board’s requirements. We also believe that the Board should, at least partially, rely on an international inspection process that is implemented by an international network of public accounting firms to the extent that the process meets or exceeds the Board’s requirements.

We believe that the Board should encourage foreign regulators that are seeking to continuously improve the quality of audits in their countries, by giving adequate consideration to their efforts. Likewise, we believe that the Board should encourage international networks of public accounting firms that are investing in continuously improving the quality of audits by their member firms by giving adequate considerations to their investments. We do not believe that applying the same dose of medicine to every foreign public accounting firm, without adequate consideration to the regulatory scheme in its home country or the quality assurance process imposed by its international network, is productive.

**Question 8 – Aside from Board inspection, are there other requirements of the Act from which foreign public accounting firm should be exempted? If so, under what circumstances?**

We believe that foreign public accounting firms should be exempted from disclosing information that they are prohibited from disclosing by their home country laws.

**Question 9 – Are there requirements different from those the Act imposes on all registered public accounting firms that the Board should apply to foreign public accounting firms?**

No.

**Question 10 – Should the Board’s oversight of foreign registered public accounting firms that are “associated entities” (as defined in the Board’s rules) of U.S. registered public accounting firms be different than its oversight of foreign public accounting firms that are not associated entities of U.S. registered firms? Should the U.S.-registered firm have any responsibility for the foreign registered firm’s compliance with the Board’s rules and standards?**

We do not believe that association with a U.S. registered public accounting firm should be the differentiating factor in the Board’s Oversight of foreign registered public accounting firms. We believe that the differentiating factors should be as follows:

- a. Whether the foreign public accounting firm operates in a country that has effective country regulation; and
- b. Whether the foreign public accounting firm is a member of an international network that has an effective international quality assurance process.

We do not believe that a U.S. registered firm should be responsible for a foreign registered firm’s compliance with the Board’s rules and standards.

Yours sincerely,



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