
PCAOB Re-Proposes Rules to Require Disclosure of Engagement Partners and Audit Participants

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On December 4, the Public Company Accounting Oversight Board voted to re-propose controversial rules to require audit firms to disclose in their audit reports the name of the lead engagement partner on the audit and other accounting firms or persons who took part in the audit. The re-proposal is the latest development in a process that dates back to 2005 and includes a 2009 concept release and a prior rule proposal in 2011. The proposal is described in this [PCAOB fact sheet](#) and set forth in the [PCAOB Re-Proposing Release](#).

The new proposal follows the 2011 proposal in most respects. The principal elements are:

- The auditor's report would be required to include the name of the engagement partner for the audit for the most recent period covered by the report. The engagement partner would not be required to "sign" the report, which will continue to be signed in the name of the firm. Unlike the 2011 proposal, audit firms would not be required to separately disclose the name of the engagement partner in their annual PCAOB reports.
- The auditor's report would also be required to include information about accounting firms and other persons besides the principal auditor who performed audits of components of an issuer or who performed services in the most recent audit. The proposed rules will require disclosure where other participants account for at least 5% of the total audit hours in the most recent period's audit. This is an increase from the previous proposal, under which the threshold was 3% of total audit hours. The re-proposed rules will also allow the disclosure to be stated within a range of percentages or as a single number. The prior proposal required that the percentage be stated as a single number. The other major change to the prior proposal is that disclosure will not be required of the name of participants in the audit other than accounting firms.

The new rules would apply to audits of emerging growth companies under the JOBS Act.

There appears to be a significant division within the Board about the proposals. While they voted to issue the proposal, Board members Jay Hanson and Jeannette Franzel raised concerns about various aspects of the proposal, and Mr. Hanson stated that he was not sure he could vote for the proposal in its present form. The other three members of the Board, led by Chairman James Doty,

appear to be strongly in favor of the proposal. Mr. Doty indicated that he hopes to have a vote on the final rules in the first half of 2014.