NOTICE: This is an unofficial transcript of the portions of the Public Company Accounting Oversight Board’s Standing Advisory Group meeting on June 18, 2015 that relate to the Board’s proposal on improving transparency through disclosure of engagement partner and certain other participants in audits. The other topics discussed during the June 18, 2015 meeting are not included in this transcript excerpt.

The Public Company Accounting Oversight Board does not certify the accuracy of this unofficial transcript, which may contain typographical or other errors or omissions. An archive of the webcast of the entire meeting can be found on the Public Company Accounting Oversight Board’s website at: http://pcaobus.org/News/Webcasts/Pages/06182015_SAG.aspx.
The Standing Advisory Group met in the Federal Hall of the Washington Plaza Hotel, 10 Thomas Circle NW, Washington, DC, at 8:30 p.m., Martin Baumann, Standing Advisory Group Chairman, presiding.

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relationship to the accounting estimates project, sets forth possible issues with respect to our current standards and related practice in this very important area to the audit, and raises alternative approaches to address these potential issues.

Today's discussion again brings the SAG members into the standard setting process at an early stage. Panelists will also help introduce the subject matter. As the purpose of the SAG is to advise the Board on standard setting matters, your hard work on these projects is truly fulfilling this important mission.

As I mentioned earlier, please raise your tent cards early and often to share with us your questions and comments. Your input and comment letters we receive will continue to help direct us on these important standard setting projects.

Also, if possible we will bring these projects back to the SAG as we move closer to proposing actual standards; if that's the direction we go. With that, it's my pleasure to now turn the microphone over to Chairman Doty for his update.

MR. DOTY: Thank you, Marty. I've assured Marty
on several occasions that to preserve this slot of an important meeting it requires that some of you find this useful and helpful. So you can get me off of this with the appropriate advice to Marty.

But it is my chance to thank you again for coming, for giving us your guidance, for providing the kind of critical insight on our standard setting projects that we require.

I would note, of course, at the outset I speak only for myself here, in this overview of where we're going and what we're doing. I express no views about the -- other than my own, none on behalf of the Board or other members. But as I said last night, your participation gives us a critical piece of input and guidance.

We'll be discussing these significant standards that Marty has discussed, and consulting on work on auditing as we go forward. But I want to briefly touch on the progress of a couple of projects that we've discussed a number of times.

And one is enhancing transparency by naming the engagement partner and certain other firms in an audit. And also, our project on audit quality indicators, which
we'll say something about.

As discussed in the last meeting, we've been considering using a form, a PCAOB form, as an alternative to requiring that names and information be provided about the engagement in the audit report.

And it's my hope that this will allay auditors' concerns on liability issues that they perceived in connection with the disclosure of the audit engagement partners' name, and the other participating firms.

We're ready to seek comment on a potential form that could be used. And I hope to do that through a supplemental request for comments later this month. And with something to be said later on the AQI project, we may well be in a position to proceed on both with the help of our colleagues at the Commission.
MR. BAUMANN: Thanks very much. Ken Goldman.

MR. GOLDMAN: Thank you. This is my first meeting, so I'll just be brief in terms of a couple of thoughts relative to Chairman Doty's comments.

First of all, I think when the auditing standards change, I would just recommend, it's helpful for issuing companies to understand more of how those changed. Sometimes we see the impact of those, but it's actually during the auditing process. And I see this both as a CFO, as well as a chairman of a couple of companies, in terms of the audit committees.

Two is just a comment. You talked about enforcement actions. One thing I've noticed, just again in my brief tenure here is I see a lot of the enforcement
actions, from what I see anyway, on firms that to me are relatively small. And it just brings to my thought as to whether certain firms should be doing audits. Or too is are we spending so much time on relatively smaller firms, versus larger firms.

Three -- and this is going to be contentious, but I'll say it anyway. I was on the treasury committee with some others here, when we looked at a number of factors. This is back in the '07, '08 timeframe. I have about 20 binders still from that period, which now are nicely on the shelf.

But one of the things we did talk about was the partner being -- you know, signing the opinion. We're still talking about it. And to me, I'll just make this comment. I am proud to sign on behalf of my company when I sign. And to me, you know, it should be the same -- I think it should be the same in terms of the auditing profession. They should be proud too.

And to try to put it on some other piece of paper, which is hard to find, it will be found anyway. I don't quite see the benefit of doing that, versus signing somewhere very visible, like under the opinion. Those
are my comments.

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MS. MOONEY: Thanks, Marty. Well first, I would echo Ken Goldman's comments about the transparency project, and really urge PCAOB to move forward, I mean, without delay on this.

For the vast majority of annual reports that I've looked at in other countries, in the major countries, they include the audit partner names. It hasn't been a problem.

So these are -- you know, except Canada, I think all the other major countries do this. It seems like it doesn't look so great on the profession to continue to try to hide this information here.

But anyhow, just in respect to China, Jim, your comments on China, the audit work paper proposal. Is there any difference from what's required of the U.S. companies, or companies listed here, you know, that are from other countries, in terms of, you know, audit work papers in the U.S. securities law?
MR. TWEEDIE: Thanks, Marty. It's really just
to back up what Ken and Elizabeth were saying. I mean,
I don't know the facts of the situation. But like many
auditors, the fact that I don't know the facts doesn't
stop me expressing an opinion.

It was --- not being a lawyer, I just don't
understand the difference between putting an auditor's
name on a different piece of paper is going to save you.
And as a non-American, we've always looked upon the PCAOB
as a leader in this field. It's spawned similar bodies
worldwide.

And worldwide the auditor puts his name under his
opinion. And, you know, I really think it's a shame that
the U.S. isn't showing the same sort of leadership that
it's shown in other areas. I really would like you to
think again and do it properly.

MR. BAUMANN: Thanks, David. Any other general
comments, questions? Peter Clapman.

MR. CLAPMAN: I'll just echo, since the issue has
now been raised for the table, the people that have urged
strongly to have the audit partner's name disclosed.

To me it's an investor protection issue. It's
an -- or disclosure issue to make it easier for investors
to understand the audit process in companies they're
investing in.

And I really don't see, since everybody else in
the structure of an audit knows who the senior audit
partner is, why this shouldn't be made readily available
to the public. And therefore, known to investors who
want this information. And it's hard for me to
understand why it's not readily understood that that
should be given.
MR. DOTY: Well first, on the liability point, as I said, I believe that case law is moving significantly in the direction of supporting Ken and Sir David on the proposition that merely naming the engagement partner in an audit report, or even signing on behalf of the firm, does not expose that engagement partner to liability under Rule 10b-5, under private civil litigation standards.

But what I think as a lawyer is not important. I think what we're trying to do at the PCAOB is move the actual form requirement in a manner that will alleviate, address and lay to rest the concerns that the partner might be needing to make a statement subjecting the
partner to individual liability, personal liability.

Although suits against individual engagement partners have not been common. And so, I agree with Ken that this information is going to be found if we can get it in an appropriate filing at the PCAOB.
some additional insights in this space, I think this is probably the right thing to do.

MR. BAUMANN: I'll just echo the two comments, Bob, and for the benefit of others, that were made by Chairman Doty and Brian Croteau, that we are -- we recently had a conversation, Brian and myself, and the leader of our inspections group, in thinking about ways to meet with the preparer community, and respond to what we've heard. Certainly getting more details about what the actual concerns are, rather than through anecdotal information, to help and see if there really is an issue to be dealt with. If there is, we will. Otherwise, we'll try to articulate why what's being done is what has to be done. But, you know, getting all the right information is necessary to address the issue. Guy Jubb.

MR. JUBB: Thank you. In relation to the naming of the engagement partner on audit reports, I wanted to share a very practical testimony relating to how very, very useful this has been in the United Kingdom, in relation to raising questions about audit quality and
reporting thereto.

Last month on behalf of Standard Life Investments, I attended the AGM of Royal Dutch Shell. And I spoke at that AGM in The Hague, to draw attention to the fact that the named partner for Royal Dutch Shell was also the named partner who signed the Rio Tinto audit reports some five or six years ago, at the same time when the chair of the audit committee of Royal Dutch Shell was the CFO.

I was able to do that because we were able to identify the name of the partner. And this was his first year being -- signing off on the Royal Dutch Shell, because he was named in the auditor reports. I was also able to identify that he was the auditor of a company named Bumi. Bumi is a mining company, which its shares are now suspended.

And in today's Financial Times, there is a report of a significant regulatory fine due to non-disclosure of certain related party transactions. And I was able to identify that the partner who signs the Royal Dutch Shell was the same person, because he is named in that way.
And if I didn't have the ability to identify that partner, I would not have been aware of the issues involved. And I would not have been in a position to ask the audit committee in the AGM -- or through the chair, to ask and inquire as to why the audit committee had not provided more disclosures regarding the circumstances associated with the selection of that individual as the audit partner for Royal Dutch Shell.

And I wanted to share this with the -- in the SAG, as a very practical example of how the naming of audit partners can enable a better understanding of the issues associated with a specific audit. Thank you.

MR. BAUMANN:  Guy, thanks for those good insights, and we share completely your view of the importance of naming the engagement partner. And it continues to be a very high priority of ours to make sure that that happens. Although a lot of obstacles have been in the way, we believe we'll get there. Joan Amble.

MS. AMBLE: Yes. Thank you. I actually wanted to talk on a different subject. Well actually, I do though want to make the point that I don't see what the issue is with the auditor signing the report either. I
look to it analogous as the certifications that the CEOs
and Chairman's provide.

So if there's some legal issue I'm unaware of, I'm
kind of clueless on that. But I'm kind of with the group
here that the signature seems to make a lot of sense. And
I would think they would be proud to sign it.

I was curious if you could offer, Chairman Doty,
some further discussion about -- you had mentioned when
the paper on audit committee dialogue was issued, you had
had some audit committee input from that. And that you
would propose on that in other areas to get more input from
the audit committee, which I think, is great. I would
welcome those opportunities.

I was curious as to whether or not that would be
sort of a formal process that you would set up? If there's
going to be an advisory group? Or if it would be more ad
hoc? And so, if you could just talk about maybe what the
outreach program might look like, I'd be interested.