NOTICE: This is an unofficial transcript of the portion of the Public Company Accounting Oversight Board’s Investor Advisory Group meeting on March 28, 2012 that relates to the Board’s Concept Release on Auditor Independence and Audit Firm Rotation. The other topics discussed during the March 28, 2012 meeting are not included in this transcript excerpt.

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The Investor Advisory Group met in the Mount Vernon Room in the Madison Hotel, 1117 15th Street, N.W., Washington, D.C., at 9:00 a.m., Steve Harris, PCAOB Board Member, presiding.

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much appreciate the effort that has gone into each of the panel presentations. I know how much work it has been throughout, and we are three for four, and I know that we are going to be four for four in 15 minutes.

So I would like to take a 15-minute break and convene back here promptly at 3:30.

Thank you.

(Whereupon, the above-entitled matter went off the record at 3:14 p.m., and resumed at 3:31 p.m.)

MR. HARRIS: Saving the least controversial until last, our final presentation is by the Working Group that has been examining auditor independence, objectivity, and professional skepticism. Barbara Roper led this Working Group and members included Kelvin Blake, Judge Sporkin, Eric Vincent, and Meredith Williams. Barbara, thank you very much and take it away.

MS. ROPER: Sure. So, obviously,
this is a natural segue from our last panel,
which dealt with a number of issues that
relate to independence. And just in preparing
this presentation we took sort of -- we did
not come here with specific recommendations on
the policy proposals that are before the
Board. Instead, we thought we'd take a
historic look at the issues as they've
developed over the years and how that informs
a discussion about the proposals that the
Board is considering, so open that up to get
a broader set of viewpoints in the second
half.

So, I thought it was useful to
start with a reminder. We throw around this
word about auditor independence. What's the
basis for that? And the Supreme Court decision
in United States v. Arthur Young says, "This
public watchdog function demands that the
accountant maintain total independence from
the client at all times and requires complete
fidelity to the public trust."
And one of the things that struck me as we talk about these issues about independence is how far we are from that ideal. I mean, even in the strongest, sort of most extreme proposals in this area, no one is really talking in any meaningful way about getting to total independence from the audit client at all times. So, I think that's worth keeping in mind as we consider these issues.

Second, when the SEC was updating its auditor independence standards in 2000, one of the things -- it talked about why independence matters. Why do we care? And they talk about two goals; one is to foster high-quality audits by minimizing the possibility that any external factors will influence an auditor's judgment. And it seems to me that when we talk about this issue we spend a lot of time, I think appropriately, focused on this issue of: will the reforms we're discussing lead to higher quality audits? 
But the other related goal that the Commission talked about is to promote investor confidence in the financial statements of public companies. Investors are more likely to invest and pricing is more likely to be efficient the greater the assurance that the financial information disclosed by issuers is reliable. And I think, again, it's worthwhile as we're thinking about that to ponder how confident do we think investors are today in the reliability of the financial statements in the independence of the audit, because that matters, independent of the issue of audit quality.

And then just more generally, taking this issue one step forward, why independence matters. In sort of a fundamental way, the audit has no value if it's not independent. You know, if it's just another set of eyes confirming management's view, they have -- we have sort of an internal financial
reporting function at companies to provide that. We look to the auditor to provide an outside objective, skeptical view of that information. And that has become more important, not less, as we move to more principles-based standards, greater reliance on judgment.

And, yet, we have this basic conflict in the business model, the client pays business model, that says, in essence, we've decided we're not going to have a truly independent audit, so the auditor independence rules are really designed simply to minimize the conflict, mitigate its effects and promote objectivity and professional skepticism in the conduct of the audit. And so really, independence, in my view, at least, is sort of a means towards an end. It is the role of independence in promoting that professional skepticism that's what we're really talking about here.

In looking back over this issue,
one of the things that struck me is just how long we have been having various different versions of this debate. So, 1977, in the wake of the scandals at Penn Central, you have Senator Lee Metcalf and his Subcommittee publishing a report in which they express grave concern over the alarming lack of independence shown by the large accounting firms. And in that, they discuss both the issue of non-audit services and the long tenure of audit engagements.

There was at about that same time, I don't have a slide on this, but at about that same time, so Congressman Dingell was having hearings in the House Financial -- I mean, the House Energy and Commerce Committee about auditor conflicts.

There was an up-and-coming young man who gave a speech at the American Accounting Association at that time in which he talked about the need for realism in financial statements. Stanley Sporkin talked
about how the accounting literature is now replete with cases where the independent auditor simply ignored facts which they knew or were readily available to them, and one of his ultimate recommendations was that in all instances, an accountant should maintain a healthy skepticism. So, that was 1982.

So, when this came up at the SEC in response, in part, to the hearings that Congressman Dingell had been holding, the SEC actually issued a report in 1994 indicating that they didn't think any fundamental changes were needed at that time. But what you see soon after that is, you know, a real change in attitude at the SEC, and evidence of growing concern at the Agency, so that in 1998, I think Lynn referred to this earlier, you have the numbers game speech that Arthur Levitt gave. And what he was talking about there -- it's actually not primarily on accounting. He's talking about the pressure that companies were feeling to make the numbers in terms of
earnings estimates, in a market where missing
the numbers by a penny or two could have
dramatic consequences for companies.

He talked about a game of nods and
winks between corporate managers, auditors,
and analysts in which the zeal to satisfy
consensus earnings estimates and project a
smooth earnings path, wishful thinking may be
winning the day over faithful representation.

And then there's another change
directly related to what we were talking about
earlier that started to occur over the 1990s,
and that was the growing importance of
consulting services within the audit firms.
The consulting services were both becoming
more important to the bottom lines of the
audit firms during that period, and to
individual auditors' compensation and
advancement within the firm.

So, you saw a progression from
where 1991 you had consulting revenues just 13
percent of total revenues. By 1999, for the
Big Five firms, consulting services accounted for roughly half the revenues. And you would see this play out in some fairly dramatic ways with specific audit clients.

There was a 2001 report which said that, as a general rule, companies were paying $2.69 in consulting service fees for every $1.00 they were paying in audit fees, but at certain companies you see this much more dramatic skewing. And you can see some of the examples here; KPMG's audit of Motorola, $3.9 million for the audit, $62.3 million for other services.

And, obviously, these were the extreme examples but they weren't isolated examples. There were actually a fairly surprising number that had sort of this dramatic skewing between the role of the audit and the role of the consulting services.

And at that time, Arthur Wyatt, who had been with Arthur Andersen for years gave a speech at the AAA Conference in 2003.
He's actually looking back now, a retrospective of what he'd seen happen over those years leading up to Enron, and he talks about how the firm leaders in this environment where consulting services were becoming more important had failed to recognize how the widening range of services was impairing the appearance of their independence, but also how certain services were changing the internal culture of the firms, which is something I think Mike was getting at with his comments earlier; that he said in that environment you started to see within the firms a growing focus on revenue growth and profit margins, and that, as a result of that, that the auditors were more willing to take on additional risk in order to maintain revenue levels, that clients found it easier to persuade auditors to see issues their way, and as he said, healthy skepticism was replaced by concurrence. So, this was sort of the insider's view at that time of what effect
this growing role for the non-audit services
had played within the audit firms.

And one of the things that we saw
-- we tend to think -- you know, we talk about
Enron or WorldCom, in fact, at the period
right before Sarbanes-Oxley, we had seen just
a dramatic increase in the number of
restatements, so we'd gone from 33
restatements in 1990 to 157 in 2000 to 233 in
2001, so this was not -- you know, when
Congress started drafting Sarbanes-Oxley, yes,
they were intimately focused on Enron, but
they were also looking at a broader phenomenon
that had occurred where there seemed to be
indicators that the audit simply was not
providing the effective assurance that it had
in previous years.

So, in that environment and before
Sarbanes-Oxley Act, the SEC took some actions.
They had started throughout the '90s to start
raising questions about these consulting
services, both particular consulting services
that they thought were in direct conflict with the auditing role, and with the amount of money that firms were getting from the non-audit services.

In July 2000, they famously proposed their rules to limit non-audit services. They actually had a list of non-audit services that they wanted auditors not to be able to provide to audit clients. They also addressed some of the issues with regard to financial relationships between the auditors and their audit clients, such as receipt of contingent fees. And in that regard, they added an express prohibition on contingent fees.

Now, we've seen in the current environment where we're talking about audit rotation, mandatory rotation, a dramatic response from the accounting firms in opposition to that proposal. It is nothing, in my view, compared to -- maybe we haven't seen it all yet, but compared to the response that
they launched to the SEC rule proposal on these non-audit services. Massive lobbying campaign, really sort of scorched earth rhetoric, they were going to members of Congress, getting them not only to write letters to the SEC in opposition, but to include riders on Appropriations Bill to defund the effort if the SEC insisted on moving forward with the independence rules.

And in the end, the response was that the SEC significantly watered down those rules, so they took certain of the services off the prohibited list, including internal audits, financial system design. They opened up loopholes in some of the other services that were on the list in terms of the definitions. And one of the things they did -- the way the rule had initially been written, it spelled out certain principles for determining auditor independence, so that, beyond a list of prohibited services, you'd also have sort of a general principles-based
standard for what was and what was not a permitted service. And that was moved out of the language of the rule itself and into sort of a more guidance role, sort of making it less prominent, less enforceable.

And then shortly thereafter, Enron implodes, and in imploding brought renewed attention to this issue, in part because Enron was sort of Exhibit A for all of the things that people had been talking about for years, for decades even, when they talked about issues of concern about lack of independence in the independent audit.

So, there came out in various different reports evidence that Arthur Andersen had been aware at various different times of questions, had had serious questions about some of Enron's accounting, had dismissed it as not material, had perhaps helped design some of the transactions that were keeping debt off the balance sheet, viewed the audit engagement that Enron is too
big a client to lose, certainly for that
particular office, had been both the internal
and external auditor and had lobbied heavily
against having internal audit on the list of
prohibited services, had been Enron's auditor
since 1985, so long tenure, had the revolving
door so that the Chief Financial Officers,
Chief Accounting Officers at Enron were
alumni.

And the press accounts at the
time, they talk about this chummy atmosphere,
so Andersen had office space at Enron, and the
Andersen employees were wearing the Enron T-
shirts and they're drinking from the Enron
coffee mugs, and they're going on the Enron
ski trips. And they describe a culture in
which there doesn't appear to be any sort of
meaningful cultural division between the
company being audited and the auditors who are
responsible for that review.

So, just quickly, I mean, Enron
was sort of the Exhibit A, but there were a
number of contemporary examples -- there were
a host of accounting scandals at the time.
There were a number of contemporary examples
where you saw the same kind of things;
auditors who were applying for jobs at the
company they were auditing while conducting
the audit; compensation based on the auditor's
ability to cross-sell non-audit services.

And then, again, I won't run
through them all again, but again Waste
Management was another example where really
every single one of these features that people
were focusing on as a concern about auditor
independence was evident in that particular
case.

So, it was in that environment
that Congress set about writing the Sarbanes-
Oxley Act. And at the time, certainly, if you
go and look at the legislative record there is
a huge amount of testimony that's focused on
this issue of: how do we promote auditor
independence?
And the Senate -- the report for
the Senate Banking Committee, Steve probably
wrote it, says: "The issue of auditor
independence is at the heart of this
legislation. Public confidence in the
integrity of financial statements of publicly
traded companies is based on the belief in the
independence of the auditor from the audit
clients."

So, when you look at the Sarbanes-
Oxley Act, there's a section of the Act, Title
II, that is called "Auditor Independence." And
it's there that you find -- so, they took the
SEC rules that they had previously approved on
prohibited non-audit services and they both
codified it and basically restored the
original list, added back in the things that
had been deleted, closed the loopholes that
had been added into the definitions of the
various different services. They added in the
concept of audit committee preapproval of
audit and non-audit services, mandatory
partner rotation. I mean, you all know the list, all of the things that we've been talking about since SOX that have been put in place to improve the independence and oversight of the audits.

There are also, scattered throughout the legislation in other places, provisions that definitely distinctly relate to this issue. For example, the provisions making audit committees responsible for appointing and paying the auditor, overseeing the conduct of the audit, strengthened independence and financial expertise requirements for audit committees, and not least, the PCAOB responsibility both to set standards in this area and to inspect for compliance with those standards and bring enforcement actions for violations of those standards.

I throw this slide up here just to make the point, if you look at the legislative history, there was a lot of testimony in which
people recommended independence reforms that are not included in SOX. There was strong advocacy at that time for things like a total or much broader ban on provision of non-audit services to audit clients, mandatory rotation of audit firms. There were discussions of ideas about how you could put a third-party, like an exchange or someone else into the role of hiring the auditor so that the -- get rid of the client pays model, more robust provisions related to cooling off period. So, even at the time when SOX was adopted, there was a pretty extensive record in favor of going beyond the reforms that were on auditor independence that were actually included in the legislation.

And then we came to implementation. And I'd sort of forgotten before I went back and got out my files on this just how really annoyed I was at the time. It's nice to know that I'm not just cranky now, I was back then equally distraught
that when it came to the SEC to implement some 
of the rules on the legislation, a number of 
things that the audit firms didn't win from 
Congress, they got almost immediately from the 
SEC. So, there had been an issue of: could you 
pre-approve non-audit services through 
policies and procedures? Congress had said no, 
SEC said yes, and they not only said yes, but 
they said pre-approving through policies and 
procedures was just as good as explicitly 
individually approving them.

The SEC, in their initial rule 
proposal had talked about the role that the 
principles for auditor independence would play 
in an evaluation of the approval of non-audit 
services, the final rule, any suggestion that 
audit committees were expected to look at 
those principles for independence in 
evaluating audit services was gone.

There was also the change I -- 
there were some others, but the change I 
mentioned earlier, there was no requirement in
SOX that the SEC go back and look at these categorizations, these disclosures firms were required to provide about what they were paying for audit and non-audit services. But the accounting firms lobbied heavily to get those definitions changed, and what they did then is go in and take a number of services and either classify some audit-related services, the audit services and more of the non-audit services into an audit-related category, so that what was left in the pool of non-audit services was much smaller. And, also, any ability to compare pre and post-SOX this percentage of fees for audits and non-audit services sort of went out the window.

And Jonathan, I'm pretty sure it was Jonathan Weil, wrote a column at the time when this had come up, the SEC was describing its rules, and they said that they had adopted these changes in response to public comment. And the SEC, he said, asked who outside the audit firms had suggested the change? The SEC
official said it would be a good time to move
on to a new topic. This was something that was
actually strongly opposed by the investor
groups in the proposal but was adopted in the
final rules.

So, right after the -- shortly
after this all went through the implementation
process, we actually got our hands on this
document, and it happens to be an Ernst &
Young document. There's no reason to believe
Ernst and Young was alone with this. This just
happens to be where we got the documentation;
how they were presenting this new
responsibility to audit committees for their
clients. How you're -- let us provide you with
our guidance on how you should fill your role
in approving non-audit services, in which they
suggested that it was perfectly fine for the
audit committee to just rubber-stamp through
policies and procedures whole classes of
services, suggesting that the SEC did not
intend, having taken it out of the final
proposal, that the non-audit services be reviewed in light of these principles for auditor independence, and encouraging the clients to group virtually everything into this audit-related service category.

So, at that point, you know, that soon after the adoption of SOX, a lot of these provisions that had been placed in the legislation were weakened. Now, that doesn't mean that audit committees followed this guidance. You know, I'm not here to suggest that this then became common practice, but my point is that at a point when the SEC could have sent the message that they were really serious about this, they sent a very different message. And we don't know what the effect was on how those decisions were being made at companies at that time.

And then beyond that -- I'm just going to go quickly through these, because everybody knows that. Beyond that, you have this authority for the PCAOB in terms of
setting standards, conducting inspections, enforcement, and they have used that authority in all three categories since the Act was adopted and they were created.

They did new standards on tax services that had been hotly fought during the legislative battle, and they came back looking at at least limiting advice about tax shelters and some other related issues. They've also taken a number of enforcement actions since they were established. Kelvin actually went through all of the enforcement actions related to auditor independence and professional skepticism and looked at what some of the allegations were in those cases, and what the sanctions. Did you want to add anything?

MR. BLAKE: Sure, just to give you a break. As a state regulator who does both compliance audits where I issue deficiency comments to help the investment advisor or broker dealer better run their practice and provide better services to the investor. Also,
as an attorney where I bring enforcement actions, I was very encouraged by the PCAOB's track record, I guess, not only in issuing perhaps hundreds of thousands of deficiency letters where you try to encourage the audit companies to better serve the client and the public, but also in the number of enforcement actions brought by the PCAOB. And in those enforcement actions, which there are 47 total, 27 of the 47 involved violations of professional skepticism. And that shows how seriously you take that type of violation.

But I was also encouraged by the level of sanctions imposed by not only -- against not only the accounting firm where you have in many instances revoked the registrations of the accounting firms, but also against the accounting professionals, where you have barred many of the accounting professionals for engaging in violations of independence or professional skepticism. So, I was truly encouraged by the actions taken by
the PCAOB. Thanks.

MS. ROPER: So, you know, that's sort of the history of how we got to where we are today, which reflects both some -- as I said, some long-simmering concerns, some persistent pushback from the audit firms against any suggestion that dramatic reforms were needed, steps by Congress, by the regulators to address certain of the issues, and yet here we find ourselves today hearing from the PCAOB, from international regulators that they're still very concerned about what they're seeing in terms of lack of professional skepticism, objectivity, independence in the audits of public companies. And in the interest of time, I'm not going to dwell on these except to say that we're talking not just about problems in small audit firms, audits of small companies, they involve some of the largest issuers. And they see a direct connection in many of these cases between the serious deficiencies that are
found and the lack of professional skepticism in the conduct of the audit.

One of the other things that has come out in some of the inspections are materials -- marketing materials in which the auditor is described as a partner with a role of supporting the issuer, where they would stand by the conclusions reached and not second-guess our joint decisions.

Now, I don't want to put too much emphasis on marketing materials, but this is actually something we've heard over the years a number of times, which is this idea -- it's come up in some of these -- like the Complexity Commission, this notion, or SAG discussions. We shouldn't be second-guessing professional judgments. But I think to me, at least, and maybe I'm alone in this but the point of the audit is to second-guess. It doesn't mean it always second-guesses and differs but it is, in fact, sort of a -- it should be an independent second look at the
issues, not just finding a way to support
management's position.

And then there have been a number
of specific examples out of recent inspection
reports, folks at the PCAOB and at some of the
European and Australian auditor oversight
boards. I thought it was interesting in the
Netherlands where the Authority for the
Financial Markets did -- took a look at the
audits of Big Four firms and found issues
related to professional skepticism. Their
conclusion was that a fundamental change of
conduct is necessary to improve the quality of
audits. The point being that both here at the
PCAOB and at the European Commission, the
suggestion has been made that we're not
talking about something where we need to be
sort of tweaking the system, useful as that
might be, but we're talking about something
where regulators are suggesting that
fundamental changes are needed to address what
they see as a very serious problem.
In the European Commission, I look at their response to the financial crisis as if they’re having their Enron moment. A lot of the issues that they’re seeing in the wake of the financial crisis mirror the responses we heard after Enron, and some of the policies that they’re looking at in terms of limits on provision of non-audit services are similar to the issues that we addressed earlier in the U.S. and are looking at now.

So, meanwhile, we have at the PCAOB the Concept Release that came out where we’ve had a little interest, 630 comment letters as of mid-March, which if not a record has got to be up there in terms of the level of interest it's prompted. And the comment period is still open, so it's not too late. And then we had last week a two-day roundtable here devoted to this topic.

Now, in the interest of full disclosure I should say that I have not, in fact, read every one of the 630 comment
letters, though I have at least browsed all of
the public statements from the two-day hearing
which is no small accomplishment. There were
how many speakers, 40 whatever. And some of
them I read in depth. And what I've tried to
do on the next series of slides is give a
sense of what messages come out of those
comments, because I think the hearing did a
good job of at least getting all the various
different viewpoints out into the public.

So, I mean, I think you see
there's a vast majority of commenters agree
that the combination of enhanced audit
committee responsibility, improved
communication between auditors and audit
committees, and not least PCAOB's inspection
and remediation authority have improved the
quality of audits and of financial reportings.

There's hardly anyone who fails to
acknowledge up front that they think they've
seen improvement since Sarbanes-Oxley was
adopted. Beyond that, though, you get this
sort of the spectrum of views from a sense
that really everything is pretty much okay,
that maybe we -- it might be appropriate to do
some tinkering with the system, but really the
system is working just fine as it is, to at
the other end of the spectrum people who still
see just a fundamental breakdown, a
fundamental lack of independence and a need to
radically reform, get rid of the client pays
model. And in the middle a group of people who
agree system is improved but there needs to be
some fairly significant reforms adopted. And
it's actually in that middle category that I
put the advocates of mandatory rotation
because while that's being viewed as sort of
a radical proposal that's out there right now
compared to some of the other suggestions that
are on the table it's really sort of in the
middle range of working within the existing
system rather than trying to go after the
client pays business model in a more
fundamental way.
So, I threw in the slides, and since you can read I won't feel the need to read them to you. A series of some -- pulled out just some of the quotes from different statements that are representative of those different viewpoints.

I thought this one was interesting just because it comes from a different sort of perspective, but it says, "From the perspective of auditor psychology the question before the Board is easy and obvious. Of course, the current system undermines auditor independence. Indeed, the very notion that the current system allows for truly independent audits is laughably implausible."

So, as I say, at one end everything is working fine. It makes me look like a Moderate. I love it. And Chuck Bowsher, you know, it's timely and somewhat overdue that the SEC and PCAOB consider additional issues that would further strengthen auditor independence in addition to the ones enacted.
in Sarbanes-Oxley legislation. I think it's
sort of indicative of the middle ground in
this discussion.

And then there were some --
there's much more than this, but there were
some comments within the letters on specific
issues. For example, Arnold Wright had
research -- we've talked a lot about the role
of the audit committee, research that
indicates that management rather than audit
committees still plays the dominant role in
decisions about hiring and firing the auditor.
Well, given that that was something that SOX
specifically set out to change, if that's
true, then that sort of invites the question
of what we need to do to revisit what could be
done to make that more effective.

And then again the issue that was
raised earlier of expanding advisory
practices, including into areas that are less
aligned with traditional audit and tax
practices.
And then you see the same divisions play out when you look at the comments specifically on mandatory rotation. You have the range from strong opposition particularly among certainly the audit firms, and to those who think it does -- that mandatory rotation doesn't go nearly far enough. So, too far, not far enough, maybe you have, in fact, found Goldilocks' Golden Mean.

When you look at those who support mandatory rotation, you have -- so, you know, some of the comments about getting a fresh viewpoint, I thought Peter Clapman's comments were particularly interesting because he's been through it. And he says, "Having participated in three auditor rotations the results were better audits, similar costs, and none of the dire consequences being argued by many of the commentators against the PCAOB Concept Release."

So, the positives that people tend to focus on are a new viewpoint, fresh
viewpoint, and that limiting auditor tenure might -- if they have less to lose auditors might be more willing to challenge management. There were -- among those who were generally supportive, there were those who were supportive with some reservations that mandatory rotation was really the complete answer. They saw it as a first step, or might make things better, but it wasn't really going to fully address the issue of auditor independence.

And here again you get a quote, Max Bazerman at Harvard Business School who says, "The choice should not be between the status quo and the reforms being proposed; rather, the choice should be between whether our society wants independent audits, or whether it does not."

And I think this, again, is back to that sort of initial point. We have an assumption about what we say we want in independent audit, and yet we don't actually
pursue policies that are designed to create a truly independent audit, was his point, I think.

Among the commenters, a number of commenters, probably a majority of commenters who are opposed to mandatory rotation, the basic arguments are it impinges on the authority of audit committees, it increases costs and disruption, and it could undermine audit quality particularly during the transition to a new auditor.

There are also some more specific concerns raised that there might -- it might create an incentive for audit firms to invest -- sorry, reduced incentive. I was going to say that made no sense at all. Reduced incentive for audit firms to invest in the audit relationship when their time horizon is short. There were concerns, specific concerns raised that there aren't always enough audit firms available for certain companies, that not all audit firms have the same level of
expertise in all issue areas, so there were
some sort of practical concerns raised about
the workability of the approach.

And then, as I said, there were
some who opposed mandatory rotation not
because they thought it went too far, but
because they thought it didn't go far enough.
And among these is Jack, whose last name I
won't try to pronounce. Thanks, I always get
it wrong. Who has a proposal that he's put
forward for, as he would say, to try to align
the interest of auditors with shareholders in
a more fundamental way.

And then just beyond that, if you
go through the audit, the comment letters and
the comments at the roundtable, you know, when
we were at the last SAG meeting I said
something about don't just tell me if you're
against mandatory rotation, don't just tell me
why you're against it, tell me what you're
for. And the reality of these comments is
there are a lot of suggestions in here about
what people are for, so even opponents of
mandatory rotation have put out a number of
very concrete specific suggestions that they
think would help to improve the independence
and professional skepticism.

Some of them have suggestions that
are specifically related to making the
rotation model more workable, such as
requiring a dual audit by two firms in the
year preceding the transition starting with
just large financial institutions, requiring
more reporting by the outgoing auditor.

There's another whole set of
proposals that I've called tweaks to the
existing system. And I don't actually -- I
realized when I was looking back at it, that
sounds derogatory, and I don't mean it as a
derogatory term. I actually think there are a
lot of really useful suggestions on this list
that regardless of what the Board decides on
the broader issue of mandatory rotation are
things that ought to be under consideration.
And I did a terrible job of organizing them. There's no logic to the way this list is thrown together. I just started pulling them out of letters and threw them onto the list. But I encourage you to look through them with some detail, because on there I think there are some that are interesting. And one of them that came up in a number of contexts, for example, is -- reflects this desire to get more information to audit committees about the results of PCAOB inspections. So, we have -- there's a lot of discussion about creating some sort of system that would permit the PCAOB inspectors to discuss directly with audit committees the results on a confidential basis.

And, you know, some of the things you would expect about improving training, and communication, some that I found troubling because it seemed to me that they were things that were already required by law. But, at any rate, as I say, I would encourage you to go
through them.

One of them -- this last one I thought was also interesting. The suggestion - - I don't know if this is realistic in terms of resources, but that audit committees could request the PCAOB perform an enhanced inspection of the audit of their company and report the results, which I actually think, if it were workable, would be something that might be an interesting idea to try.

There are a number of other suggestions that are variations on the notion that rather than go to sort of a complete formal mandatory rotation, you have more frequent process for putting the audit out for bid. So, SEC Chairman Breeden has a suggestion where he said rather than having mandatory rotation at 10 years, you'd have a presumption, rebuttable presumption that after 10 years independence had been impaired. And prior to that time, the audit committee would either have to at that point either rotate the
firm or explain why it had chosen not to do so, what its reasons were. And for the largest such audits he suggests that you could have a PCAOB inspection in the seventh year. And where they found serious problems they could require rotation. But where there were no problems identified, the period would start to run again, so the audit firm could be reappointed and that process would start to run again.

Former SEC Chairman Pitt had a similar example, and he talked about having audit committees do more -- to consider more frequently whether to retain the audit firm and to document in a pretty concrete way under appropriate guidance what was the basis for their decision. And, again, he had a provision where audit committees could be required to dismiss their auditors where there's a PCAOB finding of troubles. And then a further example.
people who suggested, as I said, taking the
more radical approach of changing the business
model. Jack Bogle from the Vanguard Group
talked about trying to find a way to make the
institutional investors -- organize them to
take more responsibility for overseeing the
audit. He didn't spell out what he thought
that might look like, but suggested that. And
then, as I say, Jack offered a pretty detailed
proposal for having financial statement
insurance.

Now, that's something that the EU
looked at and dismissed as not really sort of
ready for prime time. But his -- he makes a
pretty compelling case that you'd have --
you'd be using market incentives to -- would
be aligned to create more reliable reporting,
because you have the insurer who wants to
minimize losses so they're interested in
promoting good reporting, and they will set
their premiums based on what they see as the
risk, and issuers who want to lower their
premiums who will then --

MS. SIMPSON: Oh, I'm so sorry. I apologize. But I'm just saying perhaps the gentleman addressed this, but the problem here is that that's still coming out of shareholder funds. I mean, just like D&O insurance, you just pay for -- it's like litigation. You know, you pay the first time when you lose the money, and you pay again when it's the -- so unless there's some other source of funding that's supplied you're just picking your own pocket.

MR. SONDHI: I'm sitting here as an investor. I now have to pay for the insurance company, I've got to pay for the auditor.

MS. SIMPSON: And you alleviate the duty on the directors to get it right.

MS. ROPER: So, clearly not a popular idea with this crowd.

MS. SIMPSON: The sidelines.

MS. ROPER: So that is designed to give you an idea of sort of the scope of ideas
that have been put on the table around what
the PCAOB could or should be doing to enhance
independence, objectivity, and professional
skepticism.

And just to sum up, there were two
quotes that I thought were worth pondering
before I throw it open to you all for your
broader discussion. One is from a Washington
Post editorial. I think it was probably
written by Sebastian Mallaby back -- it was
back during the Enron era when Congress was
considering SOX. And he wrote, "There's a
price to regulation. When you tell companies
not to hire their auditors you may distort the
job market. When you force them to rotate
audit firms, you impose real costs, but the
efficient allocation of capital depends on
accurate bookkeeping, and the books won't be
accurate so long as auditors remain conflicted
or corrupt. In this contest between audit
firms, business models, and the public's
interest in disclosure surely somebody will
take the public's side."

And then more recently, Jonathan Weil writing in a large article about MF Global and Olympus, he writes, "So many large companies have blown up after getting the all-clear from a Big Four accounting firm that many people regard auditor opinion letters as a joke. The biggest fear for the Big Four cartels should be that some day investors will become so fed up that they demand the status quo be chucked entirely figuring they've got nothing left to lose. We're not there yet, but give it time. If the auditing profession can't figure out a way to re-instill value in its most basic product even terrible solutions may start to look like drastic improvements."

So here are just some discussion questions that I've thrown together for you to consider, but I throw the floor open to all of you.

MR. HEAD: This is, obviously, out of all the things today and not that I have
been bashful today because I have not, but of all the things today this is probably one where I'm the most passionate about, because I've been on both sides. I've been an external auditor for a Big Four firm. I started internal audit functions, I've helped create and start enterprise risk management functions, and I currently serve as a Chief Audit Executive for a registrant, TD Ameritrade.

And there's -- my first bottom line is I wholeheartedly agree, which this is a very, very well done, thought out presentation, and thank you very much for that, and very balanced and fair, so thank you. That I do think we want to be careful not to address the symptom, and try to address true root causes. So, my headline would be I think audit rotations is addressing a symptom, not a root cause.

But then, as you say, well, what would you do? That's nice, Mike, that's great,
but what would you do? I really feel some of the root causes that if addressed would make audit rotation a non-issue which is addressing non-audit services and making -- not that they don't provide non-audit services to other clients, but to that client, it's nothing but audit services.

I really, really think there's a model that's somewhat of a hybrid of several of these where there could be a pay dues and someone like a PCAOB actually makes the hiring decision of the firm for a registrant, but it's not that an insurance policy -- the company would be paying into a pool, and the audit committee and the PCAOB maybe would have some mechanism of jointly considering hiring the firm, a recommendation coming from PCAOB based on a bid process, and the audit committee selecting it. And that based on performance indicators, and the performance over a period of time, be it five or ten years, and then at the end a reassessment of
the firm, how did they perform? Was there consequences if they hadn't?

I think part of the bidding process should be a PCAOB examination of that firm and the results of that reported directly back to that audit committee. And as part of what the registrant is paying to -- if it's not PCAOB, another entity of some kind. And that if the performance has been good, and the results of that audit at the end of whatever period of time are good, then based on a competitive bid process they would be the leading candidate because they have the requisite knowledge, they have the accumulated audit knowledge, and they could and should be rehired. And address from that aspect, I think forcing an audit rotation and leaving it -- leaving the other things unaddressed, again, I think is taking aspirin for a fever versus addressing that the firm that's hired may be and could very well be the best, most qualified firm to do that audit. And by
forcing the audit committee to fire them every six, or seven, or ten years makes no logical sense to me. It should be based on performance, results of the audit, the audit quality, and how you put the things in place to insure that does have objectivity and independence, not force a symptom to address the ultimate solution.

And the one thing that I have not heard enough about here is in a well organized governance structure for a company that has the audit committee overseeing all audit services including a qualified internal audit function that is complying with the professional standards that have been established by the Institute of Internal Auditors and they reporting from a functional and fiduciary point of view directly to the audit committee can serve a very important role in assessing management's opinion on internal controls, assessing the effectiveness of the external auditor's role, and be another
I'll call it objective because unless they were paid for not by the company, some people get hung up on the term independent. I don't. I think it can be independent and objective if the Chief Audit Executive is evaluated by the audit committee and the audit committee chairman, that they're reporting directly, that they're qualified, they have the right training, they have the right background, they have the right resources, and they can complement and add a lot of assurance and comfort for the audit committee and shareholders if they're structured right. And that partnership between that and addressing some of the root cause I think is a much stronger path to go than forcing a mandatory rotation just because that could be legislated and it ignored all the other things that are really, in my opinion, root causes.

So, thank you for listening to me. I'm obviously very passionate on this topic.

MR. HARRIS: Thank you. Bob.
MR. TAROLA: Barbara and group,

thank you for distilling down three days or
more of interviews and sessions. It was --
now, I don't have to go back and read it all
so I appreciate that. But I agree with Mike in
terms of getting the root cause, but I don't --
to me, the root cause is the business model.
And you have an industry that has a public
franchise that has barriers to entry, that no
audit committee in their right mind would say
I want the cheap audit, not the good audit.
So, you have a high demand for services in a
very structured industry.

The product is independence,
objectivity, and professional skepticism, so
it seems strange to me that some firm wouldn't
take advantage of that situation and step up
and basically put forward themselves as that
kind of product, not the product of a whole
website full of services. And in doing so, and
maybe that's where the regulators come in,
there's no -- I'm having trouble seeing the
disadvantage of moving toward I don't want to say audit only, audit focused, audit insurance, whatever you want to call it, but a way to improve the public's view of the capital markets, and fulfill their public franchise. I don't think they're inconsistent. I don't think making money is inconsistent with that, so I'm a little at odds with the - sort of the position being taken.

MR. HARRIS: Tony Sondhi.

MR. SONDHI: Thank you, Steve. I'm just wondering about the discussion we've had and the evidence you've shown about the split between the audit fees and the non-audit fees. There's a very simple principle in financial reporting that says when you sell two things in a bundled arrangement you can't take what you said the value of each of those was, you've got to figure out what the real value is. So, I think that the audit firms who are supposed to be applying the standard seem to be playing a game with that, too.
So, I wonder is it they're deliberately keeping the amount of the audit fees down when you look at the extent to which there's a difference. And I understand that it wouldn't necessarily apply if you were talking about non-audit fees that are sold to a company -- to a firm that you're not auditing. I understand that, but there's an interesting question, I think, in there. I think that they have deliberately played this game with respect to the audit fees.

MS. ROPER: So, it's an interesting question. So, pre -- in the initial disclosures, when they first did the disclosures were they deliberately making the audit fee look lower than it was by classifying a bunch of things as not part of the audit fee?

They certainly lobbied hard during the rulemaking process to get as much as possible thrown into the audit fee category, presumably because now non-audit fees were --
non-audit services were now blackballed, and
because the audit committees were expected to
look at this issue of proportion between audit
fees and non-audit fees.

Suppose you look at that
proportion in terms of thinking about conflict
of interest, so I don't know what -- you know,
the incentives have clearly changed in that
period between how you want to present the
numbers.

MR. SONDHI: I think the point
really is that you can -- by saying that we
are doing X number of things, we'll call all
of these audit, but the fee we're charging is
much lower. And I think that's the deliberate
part of it. So, it's not really a question of
what gets called what. That's something that
I think is very, very difficult to accept from
that perspective.

I think the other point that you
made which is very important to keep in mind
is the weakening of the financial expert
requirement. I think that's a critical area.

And, again, no surprise that they did that, but it's clearly there, because you can see on the other hand, I must say that it also reminded me of the comment by the head of the audit committee for Enron who said that management was -- and he was a chaired professor at Stanford, who said that he didn't know why he would have to check anything.

MS. ROPER: Well, there was -- I remember right -- there was right around that time, and I couldn't -- I didn't take the time to dig it out, there was language that went out sort of post-Enron, pre-enactment of Sarbanes-Oxley that clearly some law firm had put out that basically audit committees were using to disclaim any responsibility for any kind of oversight of the numbers. We just sort of look at what's given us, and we don't -- so, it seemed to us at the time that there was -- that audit committees were a pretty slender read on which to pin our hopes for reform. And
then when they did the rules, as you say, on financial experts there was a concern that if they set the standard too high, or least that's how it was presented, that if they set the standard too high they wouldn't have enough candidates to serve on those positions, which may be a legitimate -- I don't know.

MR. SONDHI: But they could phase it in.

MS. ROPER: Right.

MR. SONDHI: It's not as if you have to do it right away. And it's not as if that couldn't be built. It's not as if there aren't people out there.

MS. ROPER: And if you look at what the suggestions are now, particularly from the audit firms in this area of how we can improve the existing system, improving the expertise of audit committees, improving the resources they have available to them, improving training are all sort of up in there. We're still back to this notion of how do we make
this audit committee oversight function work
better.

MS. SIMPSON: Thank you very much
to the group. I apologize. Thank you very much
to the group, and to the previous group. I
didn't get a chance to compliment you, either.
This is such a useful day.

I have a question which is -- goes
back to what's happening in the European
Commission. And I know I rattled off a few
points before we talked about going concern,
but I'm going to make a statement of the
bleeding obvious, as they say in London, which
is the Big Four at the center of attention
here are the same Big Four at the center of
attention in Europe. So, the -- what the
European Commission thinks it's tackling
include an issue of independence, but they're
looking at it in a rather more integrated way.
And I think there's an advantage for that.

So, first of all, they're saying
what's the purpose of their reforms? And
remember what they're doing, they're proposing to ban non-audit consulting, to make rotation mandatory, and a string of other things. So, whether this all happens and they get it through, I don't know. But the same Big Four are having to deal with that agenda in Europe. It's the same networks. And this is why they think they have to put this package of reforms forward.

So, one, a lack of choice for audit clients resulting from high concentration levels, in essence, an oligopoly. Two, systemic risk if one of the Big Four collapses. Three, possible conflicts of interest and issues around the independence of auditors. Four, doubts around the credibility and reliability of the audited financial statements of banks and other institutions and listed companies. These came in for heavy criticism during the crisis.

So, I think that something I put really as a question to the PCAOB Board is,
are we in danger of trying to think about the
Big Four and the structure of this industry,
the business model, the numbers, the
oligopolistic, the dominance, I mean these
same Big Four, just to give you the numbers
from the European side. I mean, the dominance
is extraordinary.

The market share of the Big Four
for audits of listed companies is 99 percent
of the first C100, 95 percent of the C350, in
Germany two of the Big Four have the mandates
for 90 percent of the companies on the DAX 30,
and Spain all of the IBEX 35 are audited by
the Big Four.

So, ought we not to be thinking
about this from a regulatory point of view,
from a global side? So, if we're having -- if
Europe is battling all this out, and then the
PCAOB is battling it all out, and it's
actually the same networks, and the same
people we're dealing with, and the same global
economy, and the same capital flows, you know,
certainly for CalPERS, we're in all these
European markets as well as in the U.S. So, I
just feel we haven't had the opportunity to do
some joined up thinking.

So, I apologize for returning to
the same point later in the day, but the Big
Four are going to have to deal with mandatory
rotation after six years in Europe. It's
happened for good or ill. Surely, that sets a
different conversation over here about what
happens next.

MR. HARRIS: Well, to punt your
question in the interest of time, what I'd
like to do is, we've got 20 minutes left, and
we've got a number of cards up, so I want to
keep the cards up.

No, no, it's fine, but what I'd
like to do in wrapping up is for the people --
everybody to make recommendations in the
remaining time. So, rather than us asking
questions, I'm punting the question because
clearly we can't act in isolation. I mean, we
can but we've got to be cognizant of what's going on throughout the rest of the world. But why don't we go around the room, and to the extent that -- Judge -- I don't want all the tent cards to go down otherwise we can finish five minutes early, or ten minutes early, which is fine, as well.

Judge, you had a point, and to the extent that anybody wants to make recommendations to the Board in terms of what you think we ought to be doing, in terms of wrap-up, or bringing up any other issues as we close out the day, that would be very helpful.

Now, you made the 1982 speech in San Diego, and not a lot has changed since there, so maybe you can take off on that.

JUDGE SPORKIN: I want to compliment the PCAOB. I've been around a long time, but this is one agency -- what I like about it, it seems to be free of politics. You seem to all want to be doing the right thing.

I have known you what, 50 years. I've known
Doty, I know Lew. I don't know the other two, but I know that you all want to do the right thing. We start out with that, so we've got something good to build on.

The other thing that occurs to me, we've got -- with auditors you've got two issues, two problems. One, negligence, has someone screwed up and they didn't find something. And the other one is aligning their interests with management. Okay?

The negligence one I think you people, if you're not in control now, can be in control of. That's the kind of thing that the person didn't see some -- and, by the way, you and the firm itself is interested in rooting out negligence in a firm, so I don't think that should be the big issue.

The real issue is the alignment. The real issue -- and that -- we seem to be going around the subject. We're saying it's independence, it's this, it's that, it's the other thing. And really it is, is alignment.
And what these auditors have to do is they're like umpires in a game. They've got to call the balls and strikes as they see them. They cannot take -- just try to accommodate the people -- the company they're working for. That's got to be taken out of the game. You've got to do that.

Now, you and your inspections, obviously, ought to be looking for that tendency. Are they then trying to put their -- give their support to the issuer, and trying to do the kind of thing that I found in the Keating case and whatnot, in which they weren't doing their job. They weren't looking and say hey, look, this is wrong. Okay? You've got to root that out.

Now, what do you have to do here? How are you going to get the good audit? Well, that's really again up to you and the SEC. It seems to me that you could do things two ways. One, you can do a structural basis and do it like in a bureaucratic way. And I'm not trying
to be too -- complaining about it, but the
other way you can do an exception basis.

If you now find that the firms
that you regulate are not doing what they're
supposed to be doing, you've got to take
action against them. And you can't be too big
to regulate. Even though there are only four,
you cannot be too big to regulate because our
system will fill that void. We will get
somebody else if we have to get rid of one to
do it.

So you say okay, yes, if you
perform you're going to continuing basis. And
one of the things I don't like about trying to
do on this rotation basis, it seems to me it's
like saying that if somebody is too good and
too smart he can't continue. That's not right.
In other words, if you have a firm that's
doing a good job and they've done it over the
years, and they've done all the things we want
them to do, there's no reason why they ought
not to be able to continue doing that. Our
system looks for excellence, and if people are
excellent they ought to be continued.

But really, that's really on -- I
say look at the exception basis. If somebody
isn't performing, then they ought to be
sanctioned. And you can put severe sanctions
on companies. You can say that you cannot
continue with that audit. They have to go out
and get another auditor, but it means that you
can't shirk your job, or the SEC can't shirk
tits job. They've got to go -- and that will
take care of this problem.

I saw it done in my day. I hate to
go back to that, but I think we did a pretty
good job. Look, I brought in my day -- we sued
the auditors 28 times in the time I was there
because we didn't care. And we told them
certain times you can't go and take new
business, certain times you can't do certain
things, but you've got to have that -- if you
don't have that -- if that's not your goal, if
that's not your objective, then really, you
know -- and nobody can really find fault with
that. They could do all they want. They can't
go to Congress and say override the PCAOB if
you make a decision based on the facts, and if
you show that a firm has done something wrong
and they're not complying. And try that as
something you can do, you don't need any kind
of -- you don't need surveys, you don't need
anything else. You don't need legislation. All
you've got to do is do your job. When they
come in with a report, your people, look at
the report. If they don't measure up, take
your action.

MR. HARRIS: Spoken like a former
head of enforcement.

JUDGE SPORKIN: Saying it like it
is.

MR. HARRIS: Well, if people would
like to make concluding comments, I think now
is probably the time to go around. And if you
want to offer any suggestions, ask any
questions, please feel free.
MR. BLAKE: I just wanted to thank Barbara for her leadership, and doing the vast majority of this work. Thanks.

MR. HARRIS: I second that.

MR. STARR: We probably don't have time to address this, but the panel on -- or the Working Group on Audit Firm Practice and Transparency had under other considerations a question which was, should the PCAOB initiate or issue a Concept Release on whether global networks impact audit quality? And I would have liked to have heard some of your thinking on that.

MS. YERGER: We had no thinking on it. We thought it was important, but we really only decided to focus on those two items. I think we kept it as a placeholder and something, I think, of great value for consideration by the Board, this group, and others.

MR. STARR: So, when you say --

MS. YERGER: Decided we didn't have
time to address it. We thought it was important, but kind of tabled it.

MR. STARR: Okay, thank you, Ann.

MS. ROPER: What they thought was that you'd make a great Committee Chair for a Committee for the next meeting to lead that topic.

(Laughter.)

MR. STARR: Unfortunately, my views express my views solely, and I can't do that.

MR. HARRIS: Well, be careful what you wish for, as well. Does anybody else have any concluding remarks?

MS. HILL: Just one thing, well, two things. Tony, I think you had raised the question were audit committees putting pressure on auditors to keep their fees down. And I will tell you that the answer is yes, in all of the committee meetings I'm aware of after the tremendous fees to comply with Sarbanes-Oxley, then people started saying the books are clear. And what you're doing is
status quo, and no, you can't raise your fees.

So that's been very much a reality.

I think the other thing, to

Barbara's point, you said that audit committees were told by the auditing firms what they could and could not do. And I would just say that it really is -- it has been governance lawyers, and internal counsel that has interpreted the laws to the audit committees and to the Boards in my experience.

MS. ROPER: Right. Can I clarify, because what I said was something specific. That an audit firm, and we had no reason to believe it was isolated, put out an advisory to its audit clients about its advice on how they take on this new role of reviewing non-audit services. And I think I was specific in saying that we did not then assume because they had done that that audit committees then fell into line and followed their pattern. So, I made a distinction between what the literature was advising, how they were seeking
to use this process to achieve their ends, not
how audit committees --

MS. HILL: Okay. And they may
advise -- the reality is that that information
really does have to come from legal counsel.
One of the things that strikes me is that
shareholders have been very vocal about a
number of other things, so that if for some
reason shareholders feel they're not being
well served by the auditors, I can't imagine
they wouldn't speak out, or perhaps they
should. I mean, that -- again, shareholders
have an active role in that. But as the Judge
has said, as long as the company is being run
well, things are going well, they tend to be
very satisfied. That's not to say the Board is
always, so I think the Board has to continue
to take more responsibility, as well as the
audit firms. It is not difficult to find
financial experts to serve on the Board, so I
think we have to continue that. I think that's
a good practice, and that we should encourage
it.

MR. HARRIS: Thank you. Anne.

MS. SIMPSON: Thank you, and I wholeheartedly agree with Bonnie. I think that it is time for shareholders to step up. And if we were to look at the votes cast on the reappointment of auditors in recent years, even where there had been grim, grim results that had not been detected in advance, I think we would all look rather ashamed that we weren’t paying more attention. So, I think that’s a place marker, the role of shareholders and what shareholders could and should be doing to back up the improvement in quality.

And just for the record, to say I would welcome the PCAOB looking at the European Commission proposals, there’s an underlying, I think, shared interest in making this work. We as global investors would certainly find that extremely helpful. And because you’re dealing with the same people
through the audit networks it could actually be efficient. It doesn't mean that Europe's got it right, but it would -- I think we would all benefit enormously from that coordination. And if you think there's some work that we can help with -- accomplish through this advisory group, we'd be glad to contribute.

MR. FERGUSON: Let me just say that we are very aware of what the European Union is doing. We're in -- our people who do this stuff are in contact with them. We have discussions with them. We are in contact with the Financial Reporting Council of the United Kingdom, so we're -- and aware of the various reports that are being done, so we're very, very aware of that. I think we have not felt it appropriate to put out public statements on what other regulators are doing, but we are very, very aware of that, and very aware -- it's part of -- one of the things that motivates the many initiatives we're undertaking, because we're aware that these
issues are being considered around the world.

MR. HARRIS: Brandon, then Ann, then Brian.

MR. BECKER: At the risk of being presumptuous, I think on behalf of the Committee I would just thank the Board members for the gracious extension of their time and their willingness to engage with us. I thought that the one consensus of the entire Committee was how critical the Board's role is in improving audit quality, and our view that by improving audit quality the Board is making a material contribution both to capital raising and protecting investors, and we very much appreciate your efforts and your willingness to listen.

MR. HARRIS: Thank you very much. Brian.

MR. CROTEAU: Thanks, Steve. I just wanted to comment on a couple of things, a lot of really good and helpful discussion today, and I really appreciate that. I was encouraged
by some of the discussion, in particular,
relative to insuring we're focusing on root
causes not just symptoms. And some of the
discussion this morning relative to
inspection, process and reporting, and
thinking creatively about ways we can even
further leverage the results from inspection
work, and think about the types of reporting
that could be done under Rule 4010. I don't
think anyone mentioned it this morning, but I
know the PCAOB's Strategic Plan also has an
item in it relative to outreach on their
inspection reporting, as well, to think about
ways to continue and improve their inspection
reports, which is, I think, another important
area for consideration. So, again, thanks very
much for all the helpful input today and look
forward to continuing dialogues like this.

MR. HARRIS: And I want to conclude
where some members began. I want to compliment
Joanne Hindman on her really outstanding work
in pulling this together.