



Via email: [comments@pcaobus.org](mailto:comments@pcaobus.org)

January 20, 2004

Office of the Secretary  
Public Company Accounting Oversight Board (PCAOB) - U.S.  
1666 K Street N.W.  
Washington, DC 20006-2803

RE: Proposed Rulemaking 2003-023  
Docket Matter No. 012

Dear Sir or Madam:

Following are our general comments with respect to the proposed rulemaking.

**VisageSolutions** supports the PCAOB's direction to require more meaningful audit documentation. This includes capturing dissenting opinions and findings as proposed in the text. This also includes requiring the auditor to capture and document inconsistencies and deficiencies that have material potential. Lastly, this includes summarizing and documenting the audit engagement and findings in a manner to allow an unfamiliar auditor to re-construct the audit, as if from scratch, to arrive at a concurring or dissenting conclusion. All of this is in keeping with the objective of a fair, public audit. If the audit report can not withstand legitimate, professional scrutiny and questioning from an unbiased third party, then the audit report has no reason to exist.

We would expect that certain Public Accounting Firms may take issue with the notion that dissenting opinions should be captured in the permanent audit record. **VisageSolutions** believes that requiring that such opinions be captured will have several positive effects:

1. Credible dissenters can mitigate or avoid downstream (personal) liability for an erroneous or fraudulent audit opinion by going on record in the audit workpapers opposing the erroneous or fraudulent work, practice and/or findings
2. If no dissenting opinions are offered and documented, then the entire audit team can/will be liable if malpractice or fraud in connection with the audit is established downstream. That is, lack of evidence of a dissenting opinion in the audit workpapers would be interpreted as though no dissenting opinion existed - therefore the audit team is or was in full agreement with the findings. This should mitigate attempts to avoid accountability downstream as all will be presumed complicit or in agreement with the (erroneous) findings
3. It will impel honest accountants to challenge potentially dishonest or illegal acts and interpretations. This will impel Accounting firms to recognize and, presumably, resolve the different opinions for a fair audit finding

4. Public Accounting firms may be forced to address these matters to recognize their obligation for a fair, objective assessment

As a practical matter, **VisageSolutions** would expect that dissenting opinions in the audit work papers will only exist when and if a dissenting Accountant/Auditor/Specialist believes that a significant misrepresentation or illegal representation is being considered by one or more parties to the audit. Dissenting opinions over insignificant matters and/or over different (but otherwise legal) interpretations, will probably not find their way into the audit work papers. At least initially, entering a dissenting opinion into the audit work papers may be a 'career limiting move' for the dissenter. Accordingly, dissenting opinions will not be taken lightly. They will probably exist only when and if the dissenter feels very strongly about his or her dissent and is prepared to suffer the organizational consequences of his or her conviction (and/or integrity).

With respect to the seven-year requirement for protection and preservation of audit work papers, the PCAOB might consider requiring the Public Auditor to separately archive a full set of the audit work papers in a third party or Federal repository, and seal the copy under postmark. This would mitigate the possibility of work paper loss, adulteration or modification after the audit is concluded. If the archived information is protected from unauthorized disclosure and is not subject to Open Records Acts or curious parties, then the existence of the archived copy should not cause concern to the auditor or the company. It would not be opened or reviewed for any reason unless the PCAOB, SEC, or other Federal bureau had cause to open the file, or if the PCAOB decided to review the audit. But the fact that the archived copy is the "of record" copy would prompt the auditor to fully document the audit within the 45 day retention timeframe, and to file the work papers intact. Absence of information in the filed copy or differences between the filed and "original" copies could/would be interpreted to mean that other papers or notes in the "original" audit document set are/were added after the fact. Though making a copy of the audit and filing it in this manner represents added work, the cost of replication and filing is small in comparison with the actual audit expense.

Thank you for the opportunity to comment on the propose rulemaking. **VisageSolutions** supports the PCAOB's initiatives to restore integrity in the financial reporting and auditing process.

Sincerely,

Glenn W. Conway  
Partner, **VisageSolutions** LLC