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financial executives  
international

April 20, 2009

Office of the Secretary  
PCAOB  
1666 K Street, N.W.  
Washington, D.C. 20006-2803

Re: PCAOB Rulemaking Docket Matter No. 025

Dear Board:

The Committee on Corporate Reporting (“CCR”) of Financial Executives International (“FEI”) wishes to share its views on the Public Company Accounting Oversight Board’s (“PCAOB”) Proposed Auditing Standard—Engagement Quality Review (“proposed standard”). FEI is a leading international organization of senior financial executives. CCR is the senior technical committee of FEI, which reviews and responds to research studies, statements, pronouncements, pending legislation, proposals and other documents issued by domestic and international agencies and organizations. This document represents the views of CCR and not necessarily the views of FEI or its members individually.

We support the Board’s efforts to adopt a comprehensive standard consistent with Section 103(a)(2)(A)(ii) of the Sarbanes-Oxley Act. We agree that the engagement quality review (“EQR”) is an opportunity for the auditor to discover any significant engagement deficiencies before issuing its opinion, and that a well-performed EQR can be an effective safeguard against erroneous or insufficiently supported audit opinions. Accordingly, an effective EQR can contribute to audit quality and reduce the need for restatements.

We commend the Board on the revised standard that has been proposed. Overall, we believe the proposed standard is better articulated, in a less prescriptive tone, than the Board’s original proposed standard. We expect that the revised proposed standard will better drive the audit behavior that the Board expects.

However, we do have the following suggestions that we believe the Board should consider in preparing the final standard:

- 1) We agree with the Board’s clarification that the engagement quality review be performed with “due professional care” as opposed to the language in the original proposal which established that a reviewer could not provide concurring approval of issuance if he or she “knows, or should know based upon the requirements of

the standard” of deficiencies in the work performed or conclusions reached in the engagement. However, we are concerned that language in the Board’s Release that accompanies the proposed standard could be misinterpreted by certain constituents as contradicting the “due professional care” requirement contained in the actual proposed standard. Specifically the comment on p. 24 of the Board’s Release reads’ “. . . *the requirement to exercise due professional care imposes on a reviewer essentially the same requirement as the ‘knows or should know based on the requirement of this standard’ formulation in the Board’s original proposal.* We believe the “due professional care” language should be used exclusively throughout the entire document as it clearly and effectively establishes the standard against which an EQR should be both performed and measured.

2) We also believe that Paragraph 19, regarding documentation of the EQR, should be revised. Specifically, we believe that the provisions of 19c, as currently articulated, are too prescriptive and would drive an excessive amount of documentation that is not necessary to further the objective of well-performed EQRs in quality audits. We suggest the following modifications to Paragraph 19c as one way to improve this provision:

“The ~~significant~~ discussions held by the engagement quality reviewer and others who assisted the reviewer that were important to determine whether to provide concurring approval of issuance, including the date of each discussion, the specific matters discussed, and the substance of the discussions, and the participants, if not otherwise evident in the audit documentation of significant findings or issues<sup>fn</sup> reviewed by the engagement quality reviewer and”

<sup>fn</sup> See Auditing Standard No. 3, paragraph 12, regarding audit documentation of significant findings or issues.

We appreciate the PCAOB’s consideration of these matters and welcome the opportunity to discuss any questions you have with respect to our comments.

Sincerely,



Arnold C. Hanish  
Chairman, Committee on Corporate Reporting  
Financial Executives International