

**From:** [John R. Roberts](#)  
**To:** [Comments](#)  
**Subject:** Fwd: PCAOB Rulemaking Docket Matter No. 041, Concept Release on Audit Quality Indicators  
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I am responding to the request for comment regarding the above subject as an interested party who has served on Audit Committees and as a committee chairperson of three NYSE listed companies over a period of at least ten years in each instance. Each company has had a different one of the Big Four firms providing the opportunity to assess the effectiveness and quality of each of three firms. Many of the suggested indicators are already being used, both formally and informally, in evaluating the firms.

There is much discussion in the Concept Release about having a "context" in which to evaluate AQI data. It is also important to place the independent audit in context with the broader responsibilities of audit committees for the oversight of a company's financial reporting and its other duties as set forth in its Charter as designated by the Board of Directors. For the purpose of this response I will limit my comments to the oversight of financial reporting and the context in which historical financial statements (and audits) are used by investors today.

The quality of a company's financial reporting can be impacted by many factors of which the independent audit is only one. It is understood by almost everyone that management has the primary responsibility for the accuracy of its financial statements. Audit committees are therefore concerned about the "tone at the top" and can help assure through its own actions that an appropriate expectation is set regarding financial reporting. It can also assess the competence of financial, accounting and internal audit personnel and processes partly, but not entirely, through discussions with the independent auditors. The reverse is also true; management and internal audit can help the committee assess the competence and quality of the independent auditors. In other words audit committees should not, and in my experience do not, rely solely, or even primarily, on the work of the independent auditor in fulfilling their responsibilities. The work of the PCAOB and an understanding of an auditing firm's own internal quality assurance programs are also helpful to audit committees. Audit committees and management also perform written evaluations of the auditing firm's performance on an annual basis prior to any recommendation for reappointment.

In today's environment most investors seem to be more focused on a company's future prospects than its historical results. Historical financial statements do provide an important benchmark against which investors can evaluate how well a company has fulfilled the investors' expectations. Greater emphasis is placed on forward looking information provided by management and the investors own use of data relevant to the company and the industry in which its operates.

As a final point there are also certain non-quantitative personal traits that are important to consider for senior audit personnel. Among others some of these are the ability to:

- communicate clearly, succinctly and forthrightly without equivocation or reservation,
- marshal appropriate resources within the firm on complex technical accounting or business issues,
- gain the confidence of both management and the members of the audit committee,
- ask difficult questions and pursue answers to a satisfactory conclusion, and
- demonstrate a good understanding of economics and general business conditions, particularly those impacting the client.

Therefore, in my opinion, a prescriptive list of AQIs may be useful to the PCAOB in evaluating the firms it oversees but probably assumes less importance to audit committees who already use informal AQIs along with many other factors in performing their oversight responsibilities. Today we are already operating in an environment of "disclosure overload" and "check the box" compliance. It is more important than ever that Boards and audit committees keep their focus on the big picture using the members experience and sound business judgment as the primary means of protecting the integrity of financial reports.

Respectively submitted,

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