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September 8, 2015

Brent J. Fields
Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

RE: Concept Release No. 33-9862, "Possible Revisions to Audit Committee Disclosures" (File Reference No. S7-13-15)

Dear Mr. Secretary:

We appreciate the opportunity to comment on Concept Release No. 33-9862, *Possible Revisions to Audit Committee Disclosures* (the Concept Release). We support the SEC's efforts to promote effective and independent audit committees and to explore whether current disclosures are sufficient to help investors understand and evaluate audit committee performance as it relates to oversight of the auditor.

We agree that audit committees play a critical role in, among other things, overseeing auditors, and believe that greater transparency about the audit committee's roles and responsibilities would contribute to increasing investor confidence. There are thousands of public companies of various types, sizes, and industry sectors and because of these unique individual circumstances, disclosures need to be customized to be meaningful. As a result, we believe each company's audit committee is in the best position to determine what improvements, if any, are needed to its disclosures for a particular reporting period.

We commend efforts to simplify disclosure so investors have more effective and efficient access to the information they need for their investment and voting decisions. We are concerned that a mandated "one size fits all" approach to additional disclosures could contribute to information overload, become a matter of legal compliance, or result in boilerplate disclosures of limited value to financial statement users.

The Concept Release references several recent studies that note a growing trend in which many audit committees are voluntarily enhancing their disclosure in the area of auditor oversight. Given the recent trend toward greater transparency, we believe the SEC should continue to allow this process to develop as audit committees voluntarily choose to enhance disclosures they believe are most helpful to investors. We support encouraging audit committees to critically evaluate their voluntary disclosures and carefully consider whether improvements can be made to provide investors with more relevant information about their activities for evaluating the auditor's independence and objectivity, including processes and criteria they use to exercise their oversight responsibilities, evaluate pre-approval of non-audit services, and retain or appoint the auditor.

We also acknowledge that the disclosure requirements for audit committee reporting have not been updated since 1999. We support limited SEC rulemaking for the technical corrections necessary to update references to required communications included in PCAOB standards.

Many questions in the Concept Release ask about disclosing highly detailed and potentially proprietary or confidential information. Avoiding unintended consequences is an important consideration for the SEC when evaluating feedback. We highlight below our perspective on some of the unintended consequences that may result from a mandated prescriptive approach to audit committee disclosure of oversight activities:

- Mandated prescriptive disclosures could contribute to information overload or result in boilerplate disclosures of little use to investors
- Disclosure of the substance of conversations with the auditor, such as the auditor's overall audit strategy, scope of the audit, significant risks identified, nature and extent of specialized skills used in the audit, locations visited by the auditor, results of the audit, and how the audit committee considered these and other related matters may be difficult to describe with sufficient context to be meaningful to financial statement users.
- Audit committee meeting participants generally have a common understanding of the company, its industry, history, strategy, operations, management, internal control structure, current developments and relevant accounting and auditing standards. The two-way dialogue in committee meetings supplements information provided by management briefings and pre-read materials. The content often includes confidential, non-public information about the registrant and its plans, such as acquisitions, dispositions, financings, product releases, restructurings, litigation, problem contracts, and future investment focus. The candor of these communications, which is critical to developing and validating an effective audit strategy and the conduct of the audit committee's oversight of the audit, relies on the fact that the matters discussed will remain confidential. Required disclosure of such discussions may reveal proprietary information about the issuer or the audit methodology and would surely chill communications between the auditor and the audit committee.
- Detailed information about the audit strategy would not be useful to investors, but would be highly valued by those intent on fraudulent financial reporting and hopeful of avoiding detection.
- Confidentiality of nonpublic PCAOB inspection results could be undermined if information provided to audit committee members about such results is disclosed. Part II of an audit firm's inspection results provides the regulator's concerns about certain audit quality issues and incentivizes the auditor to address these issues before such matters are made public. These incentives may be undermined if such information is disclosed by audit committees.
- The Concept Release asks whether disclosure of information about the engagement team or audit firm, such as the nature and extent of specialized skill or the involvement of other third party participants, such as tax advisors or actuaries, in the conduct of the audit, should be required. Such a requirement could disadvantage smaller audit firms and reduce competition in the marketplace if inferences were drawn about the depth and breadth of resources within the firm.
- Simple metrics (e.g., frequency of private meetings with the auditor, number of years of industry experience of the partner, etc.) may not directly correlate to the effectiveness of the audit committee's oversight nor audit quality and therefore may not be decision-useful to investors.
- In addition to oversight of the external auditor, the audit committee has other important responsibilities including, for example, oversight of the company's financial reporting process, internal control over financial reporting, internal audit function, and legal and regulatory compliance,

as well as various responsibilities for the oversight of risk management. The external audit works in concert with these elements of the company's control environment. Requiring the disclosures highlighted in the Concept Release, which focus primarily on oversight of the external auditor, without understanding these other activities may not accurately portray the full range of activities undertaken by the audit committee to help ensure reliable financial reporting.

We reiterate our recommendation that, rather than issuing proposed rules to mandate prescriptive minimum disclosures, the SEC allow audit committee reporting to progress along its current path and trajectory, which includes customized discussions of how they discharge their oversight responsibilities.

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If you have any questions about our comments or wish to discuss any of the matters addressed herein, please contact either Glen Davison at [redacted] or [redacted], or Jon Fehleison at [redacted] or [redacted].

Sincerely,

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