

September 8, 2015

Office of the Secretary  
Securities and Exchange Commission  
100 F Street, N.E  
Washington, D.C. 20549-1090

**RE: Concept Release, “Possible Revisions to Audit Committee Disclosures,” File S7-13-15**

Dear Office of the Secretary:

Crowe Horwath LLP appreciates the opportunity to comment on the Securities and Exchange Commission’s (SEC’s) concept release on possible revisions to audit committee disclosures.

We commend the SEC on its efforts to solicit feedback from investors, audit committees and other stakeholders related to audit committee disclosures, and support the SEC’s broader initiative on Disclosure Effectiveness to address more holistically the financial and other disclosures registrants provide to investors.

Crowe Horwath audits over 100 domestic registrants, many of which are middle market companies. In the conduct of an audit, we interact with the audit committee frequently, and understand how they discharge their responsibility to oversee the independent auditor. On that basis, we provide our commentary to the SEC on its concept release.

General Views

The concept release has a significant number of questions to solicit input about whether additional disclosures should be required for audit committees. In our experience, middle market companies tend to be disproportionately affected by more detailed disclosures requirements; that is, the cost imposed on them is higher relative to their size than it would be on larger companies. Further, we have observed these same middle market companies have historically not received questions from analysts or others, or requests for more disclosures about audit committee activities, along the lines being considered in the SEC’s concept release. While we generally support enhanced disclosures about audit committee activities, we favor a principles based approach rather than a one-size-fits-all approach. A principles based approach would be scalable to the size and complexity of the company, and allow the audit committee to customize its disclosures based on what it deems important to investors. The approach would include a holistic view of the audit committee’s responsibilities, which includes its oversight of the financial reporting process and the internal audit function, in addition to oversight of the external audit.

We understand some investors are focused on the activities of audit committees, including their oversight of the independent auditor. They have sought greater disclosure about matters such as the responsibility of the audit committee for the appointment, compensation, and oversight of the external auditor. Other matters of interest to some investors include auditor tenure, fee determinations, and involvement in the selection of the audit engagement partner. Some companies already provide disclosures beyond the current requirements. In 2013, the Center for Audit Quality (CAQ), as part of the Audit Committee Collaboration, published a report, “Enhancing the Audit Committee Report: A Call to Action,”<sup>1</sup>

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<sup>1</sup> <http://www.thecaq.org/reports-and-publications/enhancing-the-audit-committee-report-a-call-to-action>

encouraging audit committees to voluntarily improve their public disclosures to more effectively convey to investors and others the critical aspects of the work that audit committees currently perform. The report included examples of emerging voluntary practices that strengthen audit committee disclosures as well as references to studies of recent trends in these practices.

As the SEC considers rulemaking in this area, it is important to consider potential unintended consequences. A prescriptive or one-size-fits-all approach might discourage companies from voluntarily improving their audit committee disclosures, which is a positive trend already underway. A detailed list of requirements might result in boiler plate disclosures as companies try to mitigate legal concerns about missing a disclosure, even if the item is not particularly relevant or material. Detailed disclosures to investors without the benefit of one-on-one discussions that audit committees have with their independent auditors will not provide the appropriate context for such information.

Each audit committee discharges its responsibilities, including oversight of the independent auditor, in a manner it deems suitable to the company's size and complexity, and consistent with the qualifications, including experience and knowledge, of committee members and their independence of management. We believe audit committees are uniquely positioned to understand their company's financial reporting process and what is important to their investors. A voluntarily disclosure regime with some broadly stated principles would allow the audit committee to customize their disclosures to better meet the needs of investors.

We believe it is important to balance the needs of preparers and users and carefully consider the cost-benefit of providing such information. We encourage the SEC to continue to actively solicit views from audit committee members as they are in unique position to evaluate the cost and utility of any new disclosures requirements.

#### Specific Questions

Questions 26 and 28:

As discussed in the concept release, there are ongoing efforts to assess audit quality ("audit quality indicators"), including those by the CAQ and Public Company Accounting Oversight Board (PCAOB), which might result in metrics that could be used to provide insight into audit quality. Among investors, preparers, auditors, regulators, and other potential users of this information, there are diverse views about what metrics or indicators are most important, how and where they should be presented, and whether they should be published externally or provided only to the audit committee.

Some of the more objective measures being considered include disclosure of engagement partner, experience of audit firm and certain members of the engagement team, audit firm tenure, and other firms involved in conducting the audit. One disclosure which might be meaningful to investors is the inspection regime of the audit firm. The Sarbanes-Oxley Act of 2002 requires the PCAOB to conduct those inspections annually for firms that regularly provide audit reports for more than 100 issuers, and at least triennially for firms that regularly provide audit reports for 100 or fewer issuers. Annually inspected firms have the benefit of more frequent dialogue and feedback from the PCAOB inspectors. As such, disclosure of whether the audit firm is inspected annually or triennially might be relevant and provide insight to investors.

Questions 50 and 51:

We believe presenting audit committee disclosures in one location would benefit investors and other users of this information and as stated in the concept release, this is current practice for many registrants. That is, they include the required audit committee disclosures in their Form 10-Ks or their definitive proxy

statements, filed later and incorporated by reference into their Form 10-Ks. In light of the relevance of this information, we believe the same voluntary approach for expanding the existing audit committee disclosure requirements should be applied to initial public offerings or other securities offerings.

Related Proposal

On a related item, the PCAOB has a proposal, PCAOB Rulemaking Docket No. 029 Supplemental Request for Comment, "Rules to Require Disclosure of Certain Audit Participants on a New PCAOB Form (Proposal)", to expand disclosures by audit firms regarding the identification of the engagement partner and other auditors used in the audit. In our comment letter on that proposal, we recommend the SEC coordinate with the PCAOB to determine the best location for these disclosures. We understand there are merits for disclosing the information either by audit committees or independent auditors and recommend further discussion between the SEC and PCAOB. If it is concluded that the information should be included by both audit committees and auditors, we recommend consistency of the information disclosed as well as the manner or requirements for how those disclosures are determined, for example as it relates to use of other auditors.

We thank the SEC for the opportunity to provide our views on its concept release. If the SEC or its staff have any questions on the above comments, please contact Sydney K. Garmong at 202-779-9911, or Brad A. Davidson at 317-706-2635.

Sincerely,

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