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- **17 CFR Part 240**
- **Release No. 33-9862; 34-75344**
- **File No. S7-13-15**
- **Possible Revisions to Audit Committee Disclosures**

Dear Sir.

Thank you for giving us the opportunity to comment on your Concept release on Possible Revisions to Audit Committee Disclosures.

You are publishing this concept release to seek public comment regarding audit committee reporting requirements, with a focus on the audit committee's reporting of its responsibilities with respect to its oversight of the independent auditor. Some have expressed a view that the SEC's disclosure rules for this area may not result in disclosures about audit committees and their activities that are sufficient to help investors understand and evaluate audit committee performance, which may in turn inform those investors' investment or voting decisions. The majority of these disclosure requirements, which exist in their current form principally in Item 407 of Regulation S-K, were adopted in 1999. Since then, there have been significant changes in the role and responsibilities of audit committees arising out of, among other things, the Sarbanes-Oxley Act of 2002, enhanced listing requirements for audit committees, enhanced requirements for auditor communications with the audit committee arising out of the rules of the Public Company Accounting Oversight Board (PCAOB), and changes in practice, both domestically and internationally.

I would prefer to see principles-based requirements, rather than ones based overly on rules, which would lead to a checklist approach being adopted by participants. I also prefer to see substance over form. In all cases we should concentrate on the more substantive issues, those which could affect the management of business, and the effective discharge of duties by the audit committee and independent auditors.

### Disclosure of certain individuals on the engagement team

I strongly support the disclosure of the engagement partner's name in the audit report. This will definitely increase transparency and accountability, and should therefore act to improve the engagement partner's standard of professionalism, due care and professional scepticism. It is interesting to consider the alternative, or current situation. What are the advantages of not disclosing the engagement partner in the audit report? Why should the engagement partner, who leads and is largely responsible for the audit, be anonymous? Greater disclosure is the way forward, and there are no compelling arguments against this trend.<sup>1</sup>

### Communications between the audit committee and the auditor

In principle, communications between the audit committee and the auditor should always encompass the following:

- any outstanding matters of material significance, including misstatements;
- suspected bias in critical accounting estimates, and significant sensitivities thereon;
- disagreements with management;
- any judged shortfalls in processes or personnel in critical functions including governance, compliance, internal audit, risk management and legal, whether currently material or not.

And of course, all such communications should be in writing.

Yours faithfully

C.R.B.

Chris Barnard

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<sup>1</sup> For example the International Auditing and Assurance Standards Board (IAASB) recently published a final rule: *International Standard on Auditing (ISA) 700 (Revised), Forming an Opinion and Reporting on Financial Statements*, which requires disclosure of the name of the engagement partner under paragraph 45; available at [http://www.ifac.org/system/files/publications/files/ISA-700-Revised\\_8.pdf](http://www.ifac.org/system/files/publications/files/ISA-700-Revised_8.pdf)