

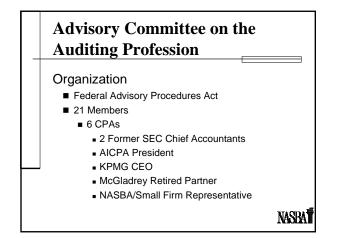
Committee Charge The Treasury Department established the Advisory Committee on the Auditing Profession to examine the sustainability of a strong and vibrant auditing profession. The Committee will consider, among other things, the auditing profession's ability to cultivate, attract, and retain the human capital necessary to meet developments in the business and financial reporting environment and ensure audit quality for investors; audit market competition and concentration and the impact of the independence and other professional standards on this market and investor confidence; and the organizational structure, financial resources, and communication of the auditing profession.

NASBAT

Advisory Committee on the Auditing Profession

Background

- Audits of Public Companies
- Strategic Recommendations Health & Sustainability
- Loss of Another Major Audit Firm



Advisory Committee on the Auditing Profession

Working Program

- 7 Public Meetings since October
- May 5th Draft Published May 15th
- July 22nd Final Report "likely"

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Advisory Committee on the Auditing Profession

Key Issues

- State Regulatory Regime
- Transparency
- Key Performance Indicators
- Auditor IndependenceBarriers to Small Firms
- Fraud
- Mobility
- Firm Governance
- Partner Rotation
- Audit Report

Relevancy of State Boards

National Licensure & Mobility

- David Costello December 3rd Testimony
- UAA Section 23 Mobility
- April 1st Comment of ACAP Member

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Relevancy of State Boards

Firm Structure and Finances Subcommittee Recommendation 2a (Page VI:4)

Institute the following mechanism to encourage the states to substantially adopt the mobility provisions of the Uniform Accountancy Act, Fifth Edition (UAA): If states have failed to adopt the mobility provisions of the UAA by December 31, 2010, Congress should pass a federal provision requiring the adoption of these provisions.

■Support Accountancy Licensee Database

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Regulatory Consistency

Federal & State Coordination

- Enforcement
- Duplication / "Piling On"



Firm Structure and Finances Subcommittee Recommendation 2b (Page VI:6)

■Regular & Formal Roundtables

- PCAOB, SEC, DOJ, State Boards & Attorneys General
- Focus on Regulatory Coordination, Improvement & Consistent Approaches to Enforcement
- NASBA Leadership & Coordination Role

NASBA

Strengthen State Boards

Financial & Operational Independence

- Capacity for Investigation & Enforcement
- Centralized "Umbrella" Operations
- Outside Influences

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Strengthen State Boards

Firm Structure and Finances Subcommittee Recommendation 2c (Page VI:7)

■Enhance Regulatory Effectiveness

Operational & Financial Independence

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Other Notable Recommendations (Generally Impacting NASBA and / or State Boards)

- Update College Curricula, Textbooks & CPA Exam [V:3]
- National Center to Detect & Prevent Fraud [VI:2]
- Consolidate & Clarify Independence Standards [VII:12]

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Other Notable Recommendations - *continued* (Generally Affecting Audit Firms)

- Mechanism to Prevent Loss of Large Firm [VII:6]
- Report Reasons for <u>ALL</u> Audit Firm Changes [VI:10]
- Independent Board or Advisory Members [VI:7]
- Key Performance Indicators of Audit Quality [VII:10]
- Reduce Barriers to Small Firms [VII:3]

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What's Missing (and still being debated)

- Liability Reform
 - Federal Securities Court
 - Clear Standard of Care (Link to SEC Rule 103(e))
 - Liability Caps (DOA)
- Firm Transparency
 - Annual Report
 EU 8th Directive, Article 40
 - Quality Metrics
 - Audited Financial Statements

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What's Missing

(and still being debated - continued)

- Auditor's Report –
 Pass / Fail Model
- Fraud Responsibilities (AU 316 / SAS 99)
 Partner Signature
- Partner Rotation
- Internationalization

NASBA

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Advisory Committee on the Auditing Profession

State Board Action Steps

Impact of 2010 Mobility "Deadline"

- Comment on Draft Report
 - Online (<u>http://www.treas.gov/offices/domestic-finance/acap/</u>)
 Hansen (<u>ghansen@eksh.com</u>)