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Office of the Secretary
PCAOB
1666 K Street, NW
Washington, DC 20006-2803

Sent via Electronic Mail to: comments@pcaobus.org

Re: Proposed Rule 3526, *Communication with Audit Committees Concerning Independence*, and Proposed Amendment of Rule 3523, *Tax Services for Persons in Financial Reporting Oversight Roles* (Rulemaking Docket Matter No. 017)

To the Members and Staff of the PCAOB:

I offer the following comments on the above-cited proposals:

Proposed Rule 3526, Communication with Audit Committees Concerning Independence. I believe this rule, which expands upon Independence Standards Board (ISB) Standard No. 1 (an interim standard of the Board) will enhance communications between auditors and audit committees in the following ways:

- Requiring discussions about independence prior to accepting a new audit assignment would focus attention on an indispensable element of the relationship.
- The more explicit, structured requirements of rule 3526 would lend greater discipline to the independence assessment process and provide the audit committee better information on which to base its decisions.
- The more precise disclosure requirement, i.e., relationships between the firm (or any affiliates) and the audit client *or persons in financial reporting oversight roles*, would remind auditors that they should also consider relationships with persons in key financial roles.

Though the standard must be met before an initial audit engagement is accepted, on an ongoing basis the timing of these activities is not prescribed. Thus, it is possible that some accounting firms may have these critical discussions toward the end of the audit cycle. To promote maximum effectiveness, I suggest incorporating a timing element, (e.g., the planning stage of the audit), into rule 3526. This does not necessarily have to be a mandatory requirement. The rule could indicate, for example, that “firms should apply

rule 3526 as early in the audit process as practicable, preferably during the planning stage of the audit”. This approach would allow firms that have good cause for applying the rule later in the audit process a means to remain compliant.

Proposed Amendment to Rule 3523, Tax Services for Persons in Financial Reporting Oversight Roles. I support amending rule 3523 to apply to the professional engagement period *only* as this change is conceptually sound and will resolve difficulties experienced by issuers seeking a new auditor. I believe the change is conceptually sound because the simultaneous association (as both auditor and tax provider for the audit client’s key executives), which causes the mutuality of interests is not present until the auditor is actually engaged or begins performing attest services, whichever comes first. Thus, if tax services are ceased prior to this period, independence is not affected.

That being said, I generally do not support an option allowing the completion of individual tax services once the professional engagement period has begun except on a very limited, case-by-case basis where cessation of the services to an individual would cause significant hardship and the services could be completed within a reasonable period. Such a case should be brought to the audit committee for review and approval and the accounting firm and the audit committee should agree on temporary safeguards to protect independence in fact and appearance. If independence may not be safeguarded, the services should be ceased prior to the professional engagement. For example, if the executive is the Chief Financial Officer (CFO) and the personal tax services would be provided to the CFO simultaneous with the audit, no safeguards would suffice to protect independence. However, if a case involved a different executive whose work could be segregated from the audit or temporarily performed by another individual while services to the executive were completed, this situation may be acceptable.

I appreciate the opportunity to comment on these issues.

Sincerely,

A handwritten signature in black ink, appearing to read "Catherine Allen", with a long horizontal flourish extending to the right.

Catherine Allen, CPA
Audit Conduct