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February 27, 2014

Ms. Phoebe W. Brown  
Secretary  
Public Company Accounting Oversight Board  
1666 K Street, N.W.  
Washington, D.C. 20006-2803

Re: Improving the Transparency of Audits: Proposed Amendments to PCAOB Auditing Standards to Provide Disclosure in the Auditor's Report of Certain Participants in the Audit; Docket Matter No. 029

Dear Ms. Brown:

The Investment Company Institute<sup>1</sup> appreciates the opportunity to comment on the Public Company Accounting Oversight Board's proposed amendments that would require disclosure in the auditor's report of the name of the engagement partner.<sup>2</sup> The Proposal indicates that the Board believes that disclosure of the engagement partner would provide investors with important information about audits conducted for their benefit.<sup>3</sup> We are concerned that the Proposal as currently structured could impair the ability of investment companies and other issuers to access capital markets on a timely basis. In particular, if the engagement partner is unwilling or unable to consent to being named in the auditor's report, then the issuer would be unable to incorporate its audited financial statements into its registration statement and would be unable to conduct the planned offering. If the Board requires identification of the engagement partner, we recommend disclosure outside the auditor's report.

Section 7 of the Securities Act of 1933 (1933 Act) requires issuers to file with the Securities and Exchange Commission the consent of any accountant who is named as having prepared or certified any part of a registration statement filed with the Commission. Registration statement forms prescribed by

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<sup>1</sup> ICI is the national association of U.S. investment companies, including mutual funds, closed-end funds, exchange-traded funds, and unit investment trusts. ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers. Members of ICI manage total assets of \$16.1 trillion and serve more than 90 million shareholders, and there are approximately 1,900 independent directors of ICI-member funds.

<sup>2</sup> See *Improving the Transparency of Audits: Proposed Amendments to PCAOB Auditing Standards to Provide Disclosure in the Auditor's Report of Certain Participants in the Audit*, PCAOB Release No. 2013-009 (December 4, 2013) (the "Proposal").

<sup>3</sup> The Board cites investor comment, empirical research, and its oversight experience as basis for its belief that the proposed disclosure would benefit investors.

the Commission require audited financial statements to be included or incorporated by reference into the registration statement.<sup>4</sup> Accordingly, we believe an issuer would be required to file a consent of any engagement partner named in the auditor's report included in a registration statement in order for the Commission to declare that registration statement effective.

Mutual funds offer their shares daily and maintain an "evergreen" registration statement. A mutual fund with a December 31 fiscal year end would deliver its annual shareholder report including audited financial statements to its shareholders no later than March 1.<sup>5</sup> That fund would update its registration statement by filing a post-effective amendment that includes or incorporates by reference the annual shareholder report including audited financial statements no later than May 1.<sup>6</sup>

If the engagement partner has resigned or retired from the audit firm after March 1 and prior to May 1, the partner may be unwilling to provide the required consent. The engagement partner may be unable to provide the required consent due to death or disability. In order to avoid this outcome, if the Board determines to require identification of the engagement partner, we recommend disclosure outside the auditor's report.

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If you have any questions, please contact the undersigned at (202) 326-5851 or [smith@ici.org](mailto:smith@ici.org).

Sincerely,



Gregory M. Smith  
Senior Director – Fund Accounting

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<sup>4</sup> For example, Item 27 of SEC Form N-1A, the registration statement form for open-end investment companies under the 1933 Act and the Investment Company Act of 1940 (1940 Act) requires the fund to include audited financial statements as prescribed by Regulation S-X. Item 28(j) of Form N-1A requires the fund to file any opinion, appraisal, or ruling, and related consents relied on in preparing the registration statement and required by section 7 of the 1933 Act.

<sup>5</sup> See Rule 30e-1 under the 1940 Act.

<sup>6</sup> See Rule 8b-16 under the 1940 Act.