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14 December 2011

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

Dear Board Members

Concept Release on Auditor Independence and Audit Firm Rotation (PCAOB Rulemaking Docket Matter No. 37)

CPA Australia welcomes the opportunity to comment on the Concept Release on Possible Revisions to PCAOB Standards Related to Reports on Audited Financial Statements and Related Amendments to PCAOB Standards (the Concept Release). CPA Australia is one of the world's largest accounting bodies and represents the diverse interests of more than 132,000 members in finance, accounting and business in 111 countries throughout the world. Our vision is to make CPA Australia the global professional accountancy designation for strategic business leaders. We make this submission on behalf of our members and in the broader public interest.

Recent years have witnessed increased efforts by governments and regulators to address weaknesses in capital markets that have contributed to several institutional failures. Audit plays a central role in the preservation of integrity in capital markets, and CPA Australia acknowledges the need to constantly review and improve the quality of audit in achieving its stated purpose.

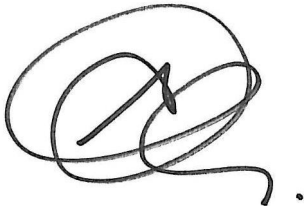
The conduct of audit requires the presence of the fundamental qualitative characteristics of independence, objectivity and professional scepticism. In Australia, these characteristics are ingrained within the auditing framework that is predominantly based on globally recognised standards of auditing, and ethical behaviour. An auditor is required to develop extensive knowledge of the audited entity in carrying out their duties, and any proximity risks that may arise are adequately addressed by independence measures such as periodic rotation of engagement partners, and senior team members. This balanced approach allows the auditor to retain client knowledge that is critical in delivering high quality audits, whilst remaining independent.

Whilst the audit framework incorporates numerous measures to preserve auditor independence, regulators in Australia have not considered it necessary to impose an additional requirement of mandatory audit firm rotation. CPA Australia support the status quo in this particular regard, and whilst we strongly support considering possible further development of appropriate auditor independence measures, we do not support mandatory audit firm rotation as part of these measures. Our position stems from a lack of clear evidence of improvement in audit quality through introduction of such a measure.

CPA Australia recognises that the PCAOB has called upon the considerable knowledge and experience gained through its role as audit regulator in making the proposal, however the Concept Release does not establish a clear link between identified audit shortcomings, and the proposed measures. Accordingly, we support the suggestion to undertake a pilot program to obtain sufficient empirical data to arrive at a satisfactory conclusion. In recognition of the global reach of the PCAOB and the resulting impact of any new independence measures, we would also recommend the PCAOB work closely with international standard setters such as the International Auditing and Assurance Standards Board and/or the International Ethics Standards Board for Accountants in further developing measures surrounding auditor independence.

If you require further information on any of our views, please contact Amir Ghandar, CPA Australia by email at amir.ghandar@cpaaustralia.com.au.

Yours sincerely

A handwritten signature in black ink, consisting of several overlapping loops and a long tail that ends in a small dot.

Alex Malley FCPA
Chief Executive Officer

cc: A Ghandar