

18 August 2003

DJI/AMB/rmp

**PRIVATE & CONFIDENTIAL**

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

By e-mail: [comments@pcaobus.org](mailto:comments@pcaobus.org)

Dear Sir

**PCAOB RULEMAKING DOCKET MATTER 006  
PROPOSED RULES ON INSPECTIONS OF REGISTERED PUBLIC ACCOUNTING  
FIRMS**

We welcome the opportunity to comment on the proposed rules relating to your inspection procedures. Our principal interest is in the potential impact on non-US accountancy firms, of which we are responsible for the registration and supervision of a significant number.

We note the reaffirmation in your consultation paper that the Board is committed to finding ways to avoid subjecting non-US firms to unnecessary burdens and conflicting requirements. We are therefore particularly pleased to see that the proposed rules do not signal that the Board has already determined how to apply oversight to non-US accounting firms. We look forward to constructive developments on these matters.

We note that the procedures proposed in many ways resemble those which our own monitoring unit has had in operation for some years and we have found these to work well. However, we do have a couple of brief comments on the detail that you may wish to consider.

**Inspection Schedule**

You note an intent to visit firms auditing more than 100 issuers annually, and other firms at least every three years. Proposed rule 4003 reflects this.

The distinction in visit scheduling between auditors of more than 100 issuers and others is, we assume, intended to ensure that more visits take place to firms with a higher risk profile. There are other aspects to assessing the degree of risk of poor quality audit work being carried out, e.g. press comment or complaints about a firm, whether the clients need specialist



knowledge, sudden large changes in numbers of audits, lack of internal QC inspectors, etc. Your proposed Special Inspections allow you to do additional inspections where such factors come to light, but you may find in due course that some firms require visits more frequently while others have a low risk profile and need be visited less often. Your rule 4003 as drafted, will permit the former but has an absolute backstop of three years. You note that the Sarbanes-Oxley Act Section 104(b)(2) permits the Board to vary the inspection schedule if appropriate and you may wish to consider introducing more flexibility into the rule

### **Confidentiality of papers copied**

Your proposed rule 4006 requires firms to provide access to, and the ability to copy, any records considered relevant. This is not an unreasonable requirement, but given various comments elsewhere in the consultation document about public disclosure by the Board, it is not absolutely clear to us whether any copies taken will be held in confidence. We assume this is the intention and it may be helpful to clarify this.

We would be happy to discuss any of these and other issues with you.

Yours faithfully

David Illingworth  
**President**