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Public Company Accounting Oversight Board
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2 February 2009

Re: PCAOB Rulemaking Docket Matter No. 027 – Rule Amendments Concerning the Timing of Certain Inspections of Non-U.S. Firms, and Other Issues Relating to Inspections of Non-U.S. Firms

Dear Sir or Madam:

Grant Thornton International is one of the world's leading international organizations of independently owned and managed accounting and consulting organizations. Grant Thornton International member firms operate in over 100 countries and employ over 29,000 persons worldwide. This includes 50 offices in the United States, and nearly 6,000 persons employed by Grant Thornton LLP, the U.S. member firm of Grant Thornton International.

Grant Thornton International welcomes the opportunity to provide comments on the Public Company Accounting Oversight Board's (PCAOB or Board) proposed rule to delay some inspections of non-U.S. audit firms. In summary:

- We support the PCAOB's proposed amendment to Rule 4003. We agree that the amendment would provide the Board with additional time to reach cooperative agreements with non-U.S. oversight entities, without forcing non-U.S. audit firms to make the difficult choice between violating their home country laws and violating PCOAB rules.

- We believe that the proposal to amend Rule 4003 is closely related to the PCAOB's proposed policy statement pursuant to Rule 4012 and "full reliance." The finalization of the full reliance policy statement – in a principles-based manner – would be of great help in resolving conflicts and improving cooperation with non-U.S. regulators. This would ultimately serve to protect investors and increase investor confidence in audit quality.

- We have significant concerns about some of the possible public disclosures discussed in the release regarding audit firms that have not yet been inspected and audit firms that are unable to cooperate with the Board requests for information.

Proposed Extension of the Deadline for Some 2009 PCAOB Inspections

Grant Thornton International supports the adoption of proposed Rule 4003(g) because it would allow the Board additional time to continue to make determinations about whether, and to what extent, the Board may rely on a non-U.S. oversight system and to pursue cooperative arrangements with non-U.S. oversight entities. We believe that this would ultimately benefit investors and would best serve the public interest.

In the release, the Board notes that it faces two choices, neither of which is ideal: (1) postpone inspections of those 50 audit firms at issue while continuing discussions with non-U.S. regulators; or (2) make inspection demands on individual audit firms over the objection of local authorities, including those instances where local law prohibits audit firms from cooperating with a PCAOB inspection demand.

Were the PCAOB to choose the latter option, it would force non-U.S. audit firms to: (1) violate the law of their home country; (2) violate PCOAB Rule 4006; or (3) cease issuing audit reports for U.S. issuers. Faced with these choices, we believe that non-U.S. audit firms would choose to cease issuing audit reports for U.S. issuers, which would not be in the best interests of investors or the capital markets.

We recognize that Section 106(a) of the Sarbanes-Oxley Act states that non-U.S. audit firms that prepare or furnish audit reports for U.S. issuers are subject to the Sarbanes-Oxley Act and the Board's rules "in the same manner and to the same extent" as U.S. audit firms, subject to the exemptive authority found in Section 106(c) of the Sarbanes-Oxley Act. We also understand the PCAOB's desire to protect U.S. investors by inspecting those non-U.S. audit firms that issue audit reports for U.S. issuers. However, the practical effect of sanctioning non-U.S. firms for violating Rule 4006 or forcing them to cease issuing audit reports for U.S. issuers will ultimately harm U.S. investors. The inspection of non-U.S. firms poses different issues and challenges, and it would be preferable to acknowledge and deal with the critical issues than to force an undesirable result.

Requiring a non-U.S. audit firm to withdraw from registration could make it very difficult for the U.S. issuer being audited by the non-U.S. firm to register and list its securities in the United States. This is because many of those countries that prohibit audit firms in their jurisdiction from complying with PCAOB inspection requests also prohibit audit firms outside that country from auditing issuers in that country. Consequently, if the non-U.S. audit firm is forced to withdraw, there may be no audit firm that can take its place. Thus, the end result could be that an affected issuer may have to delist its securities in the U.S.

The only tenable solution, therefore, is for the PCAOB to continue to work with its non-U.S. counterparts to reach cooperative solutions. We believe that these cooperative relationships between oversight bodies will be increasingly important to the public interest and the efficient functioning of the global capital markets. Allowing itself more time to reach mutual agreements will likely be successful in most instances, as governments, audit firms and issuers all have

strong incentives to remove roadblocks and formulate work-around solutions to the non-U.S. legal restrictions and sovereignty concerns.

To this end, we urge the PCAOB to finalize its proposed policy statement regarding "full reliance" under Rule 4012, taking a principles-based approach in doing so. We believe that a cooperative, principles-based approach under Rule 4012 will ultimately result in increased investor protection, as it will encourage other jurisdictions to establish audit oversight entities based upon key principles designed to ensure audit quality. We will not repeat the points made in our comment letter with respect to the full reliance policy statement, but we offer a few observations relevant to the PCAOB's proposal regarding Rule 4003.

- The PCAOB should take a principles-based approach when it considers full reliance, and should not seek to require that non-U.S. oversight entities have virtually identical structures as that of the PCAOB.

- The PCAOB should respect the legitimate decisions of other governments who chose to set up audit oversight entities with slightly different characteristics than those of the PCAOB.

- Granting equivalence (i.e., full reliance) is critical, as it will likely cause foreign governments to do the same.

Schedule of Inspections Based Upon U.S. Market Capitalization

We generally support the Board's proposal to set a schedule of inspections from 2009 through 2012 based upon market capitalization of the audit firm's issuer audit clients. We concur that market capitalization is the most readily measurable way of assessing the impact of a firm's audit work on U.S. investors.

In the proposal, the Board notes that the setting of a schedule would not operate to prevent an inspection from occurring earlier than called for by the schedule. We support this idea. If the PCAOB is able to reach a cooperative arrangement with a specific non-U.S. jurisdiction, we see no reason why the PCAOB should not inspect firms organized under the laws of such jurisdiction.

The proposal suggests, however, that the PCAOB would opt to have an inspection occur later than called for by the initial schedule only in very limited circumstances. We believe that the PCAOB should make it clear that modifying the schedule to delay inspections would be permissible – especially if there were sovereignty concerns that could not be worked out between the PCAOB and the non-U.S. regulator. It would be counter-productive and not in the best interests of U.S. investors if the PCAOB and a particular non-U.S. regulator were engaged in fruitful, yet incomplete, discussions about cooperation, only to have the PCAOB issue an inspection demand before the cooperative arrangements could be finalized.

Given the foregoing, we suggest that the Board not publish the inspection schedule in order to give itself maximum flexibility. We believe publishing the schedule, only to revise it later due to the inability to resolve sovereignty concerns, would reflect negatively on the audit firm so affected and would imply that such audit firm lacked quality. Instead, the likely reason for the Board not inspecting a firm during the scheduled year would be the inability of the Board and the non-U.S. jurisdiction from reaching an agreement on sovereignty – which would be no fault of the audit firm.

Public List of Registered Firms that Have Not Had First PCAOB Inspection

The PCAOB has invited comment on whether it should maintain on its website a list of all registered firms that have not had their first PCAOB inspection even though more than four years have passed since the end of the calendar year in which they issued their first audit report.

We do not support the publication of such a list, because we believe that – despite the comments on page 14 of the release – it would imply that the audit firms so listed lack quality or have not cooperated with the Board.

Rather than providing a list of such firms, we suggest that the Board maintain a list of those countries where non-U.S. legal restrictions and sovereignty concerns have prevented inspections of all such audit firms organized under the laws of those countries. This would benefit investors because it would provide information regarding the countries that do not allow PCAOB inspections, while at the same time it would not single out specific audit firms.

If the PCAOB decides to make public a list of audit firms that have not been inspected, however, we request that the Board include substantial cautionary language in connection with the list, stating among other things:

- That the failure to have been inspected does not mean that the audit firm lacks quality; and

- That the failure to have been inspected does not reflect that the audit firm is at fault in any way and does not evidence a lack of cooperation, but instead, reflects the inability of the PCOAB and the non-U.S. regulator to reach a cooperative agreement regarding non-U.S. legal restrictions or sovereignty concerns.

Whether and how a non-U.S. legal restriction or sovereignty concern should be factored into the PCAOB's consideration of an appropriate sanction

The PCAOB has invited comment on whether and how the fact of a non-U.S. legal restriction or sovereignty concern should be factored into its consideration of the appropriate sanction for violating Rule 4006.

Grant Thornton International believes that non-U.S. legal restrictions or the sovereignty concerns of local authorities should be factored into the Board's consideration in any PCAOB disciplinary proceeding for failing to provide information requested in an inspection. We

believe that a non-U.S. audit firm should not be sanctioned for not providing information in response to PCAOB requests due to legal restrictions, which should have been fully explained and supported in the legal opinion filed with the PCAOB in the firm's application for registration.

The inability of an audit firm to cooperate due to legal restrictions does not reflect a voluntary choice or failure to voluntarily cooperate by the audit firm in question; rather, it reflects the failure of two national regulators to reach a cooperative agreement to overcome the legal restrictions or sovereignty concerns. In these situations, the audit firm should not be sanctioned.

Public Disclosure Proposals

The Board has asked for comment with respect to the benefits and drawbacks of a rule requiring certain disclosures when audit firms are unable to produce information in response to inspection demands due to non-U.S. legal restrictions or sovereignty concerns.

Grant Thornton International believes that the disclosures outlined on page 17 of the release would cause investors to doubt unnecessarily the quality of the audit firm and audit in question and would suggest a willful failure to cooperate.

We also believe that the disclosure options are unnecessary – particularly the latter three bullet points on page 17 – because existing disclosure requirements are sufficient to ensure investors that the PCAOB has sufficient oversight over the audit firm. Specifically, the latter three bullet points would target, among other things, the situation where the U.S. member firm of a global audit network uses the work of another member firm in the course of an audit. In such a situation, it is typical for the U.S. audit firm (which is the principal auditor and which has been inspected by the PCAOB) not to refer to the foreign member firm. It is, however, unnecessary to make such a disclosure because the U.S. firm takes responsibility for the audit as a whole, and in the process, performs appropriate audit procedures and obtains supporting documentation as required by professional standards. Given that the U.S. member firm is subject to PCOAB registration and inspection requirements, the PCAOB should be able to confirm through the inspection process that the audits in question were performed in accordance with PCAOB standards.

We feel strongly that the disclosures suggested in the release would serve only to confuse investors, as the principal auditor may be required to disclose a long list of audit firms in a variety of countries, a description of the work performed by the non-U.S. audit firms, and information regarding the principal auditor's policies and procedures. These disclosures could be quite lengthy and boilerplate in nature, and thus not provide any meaningful information to investors. The proposed disclosures also do not acknowledge that non-U.S. audit firms that are unable to provide information because of sovereignty concerns might be subject to inspections by their home country audit oversight entity.

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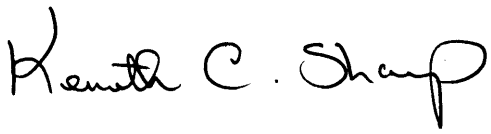
Thank you for your consideration to the comments mentioned herein. If you have any questions about this letter, please contact me at ken.sharp@gt.com or +1 704.632.6781, or Jon Block at jon.block@gt.com or +1 202.861.4100.

Sincerely,



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