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Fact Sheet: Final Report of the Advisory Committee on the Auditing Profession

The U.S. Treasury Department's Advisory Committee on the Auditing Profession adopted a Final Report containing more than 30 recommendations to improve the sustainability of the public company auditing profession. The report is separated into three sections by principal areas of focus.

Human Capital recommendations focused on improving accounting education and strengthening human capital, including:

- Implementation of accounting education curricula and content that continuously evolves to reflect current market developments to help prepare new entrants to the profession.
- Improvement of the representation and retention of minorities in the auditing profession through mentoring programs and recruiting at community colleges.
- Ensuring an adequate supply of qualified accounting faculty through public and private sector funding to meet future demands and help prepare students to execute high quality audits.
- Development and maintenance of demographic data on the accounting profession so that the profession can understand the human capital situation and its impact on the profession's future and sustainability.
- Study of the future of education for the accounting profession, including the potential for graduate schools of accounting, to determine the best way to educate students to deal with the challenging financial reporting and auditing environment.

Firm Structure and Finances recommendations focused on enhancing auditing firm governance, transparency, responsibility, communications, and audit quality, including:

- Creation of a national center at the Public Company Accounting Oversight Board to provide a forum for auditing firms and other market participants to share their fraud detection experiences in order to improve audit quality.
- Granting accountants licensed in one state with reciprocity to practice in other states to foster a more efficient operation of the capital markets given the multi-state operations of many public companies and multi-state practices of many auditing firms.
- Exploration of the feasibility of appointing independent members with full voting power to firm boards and/or advisory boards to improve the governance and transparency of auditing firms.
- Enhancement of disclosure requirements regarding public company auditor changes will improve transparency and enhance investor confidence.
- Enhancements to make the auditor's standard reporting model more useful to investors by including more relevant information, such as key accounting estimates and judgments.
- Mandating the engagement partner's signature on the auditor's report to improve accountability among auditing firms.
- Requirement for larger auditing firms to produce a public annual report with relevant firm information and file on a confidential basis with the PCAOB audited financial statements to improve transparency at auditing firms.

The Concentration and Competition recommendations focused on ways to increase audit market competition and auditor choice, including:

- Having the PCAOB monitor potential sources of catastrophic risk at auditing firms to prevent reduced auditor choice and significant market disruptions.
- Creation of a mechanism for the preservation and rehabilitation of troubled larger public company auditing firms to prevent reduced auditor choice and significant market disruptions.
- Development and publication of key indicators of audit quality and effectiveness to promote competition and choice in the industry based on audit quality.
- Promotion of the understanding of and compliance with auditor independence requirements to enhance investor confidence in the quality of audit processes and audits.
- Adoption of annual shareholder ratification of public company auditors by all public companies to enhance the audit committee's oversight to ensure that the auditor is suitable for the company's size and financial reporting needs.
- Enhancement of collaboration and coordination between the PCAOB and its foreign counterparts so that investors can be confident that auditing firms of all sizes are contributing effectively to audit quality.

