

# In brief

The latest news in financial reporting



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## At a glance

The PCAOB adopted new rules and related amendments to its auditing standards to require public reporting of the name of the engagement partner and other accounting firms that took part in the audit.

## PCAOB adopts final rules to disclose name of partner and others on new form

### What happened?

On December 15, 2015, the Public Company Accounting Oversight Board (“PCAOB”) adopted [new rules and amendments](#) to its auditing standards requiring disclosure of the name of the engagement partner and information about other accounting firms that took part in the audit, including other firms within the same network as the group auditor. This information will be filed with the PCAOB on a new PCAOB form, *Auditor Reporting of Certain Audit Participants* (“Form AP”) and will be searchable on the PCAOB’s website.

The rules and amendments to the auditing standards require disclosure for all audits of issuers, including employee stock purchase, savings, and similar plans that file annual reports on Form 11-K. At this time, the PCAOB is not extending the Form AP requirements to audits of brokers and dealers unless the broker or dealer is an issuer required to file audited financial statements. Additionally, the PCAOB is recommending the rules and amendments to its auditing standards apply to emerging growth companies, which will be subject to a separate determination by the Securities and Exchange Commission (the “SEC”), pursuant to the JOBS Act.

### Disclosure requirements and effective dates

The rules require disclosure of:

- The name of the engagement partner;
- The names, locations, and extent of participation of other accounting firms that took part in the group audit, if their work constituted 5 percent or more of the total group audit hours; and
- The number and aggregate extent of participation of all other accounting firms that took part in the group audit whose individual participation was less than 5 percent of the total group audit hours.

Subject to SEC approval, disclosure of the engagement partner will be required for audit reports issued on or after January 31, 2017 (or three months after SEC approval, whichever is later), while disclosure of information about other accounting firms that took part in the audit will be required for audit reports issued on or after June 30, 2017.

### Form AP

The filing deadline for Form AP will be 35 days after the date the auditor’s report is first included in a document filed with the SEC, with a shorter filing deadline of 10 days for initial public offerings.

The filing of Form AP is required the first time an audit report is included in a document filed with the SEC. Subsequent inclusion of precisely the same audit report in other documents filed with the SEC does not give rise to a requirement to file another Form AP. Conversely, any changes to the auditor's report, including if it is dual-dated, requires a new Form AP even when no information on the form, other than the date of the report, changes.

For audits of mutual funds, the rules permit one Form AP to be filed in cases where multiple audit opinions are included in the same auditor's report, such as in the case for mutual fund families. If multiple audit opinions included in the same auditor's report involved different engagement partners, a Form AP will be filed for each engagement partner.

#### *Partner identifying number*

The final rules require each registered accounting firm to assign a 10-digit partner identifying number to each of its partners serving as the engagement partner on audits of issuers. The number will be assigned to a particular partner and will not be reassigned if the partner retires or otherwise ceases serving as engagement partner on issuer audits conducted by that firm.

#### *Use of estimates*

Firms may use a reasonable method to estimate audit hours of other accounting firms participating in the audit.

### **Why is this important?**

It is intended to help the public know the name of the engagement partner and understand how much of the audit was performed by the accounting firm signing the auditor's report and how much was performed by other accounting firms.

### **What's next?**

The PCAOB will formally submit the rules and amendments to its auditing standards to the SEC, and the SEC will consider them for approval through their normal process. PCAOB staff plans to publish guidance in 2016 to assist firms in complying with the reporting requirements of Form AP.

### **Questions?**

PwC clients who have questions about this *In brief* should contact their engagement partner. Engagement teams who have questions should contact the National Professional Services Group (1-973-236-7800).

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