

# PCAOB Adopts Rules Requiring Names of Engagement Partners and Other Firms Involved

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Yesterday, the PCAOB adopted [new rules](#) to require auditors to disclose the name of the audit engagement partner. The rules are subject to approval by the SEC, and will be effective for auditor's reports issued on or after January 31, 2017, or three months after SEC approval of the final rules, whichever is later. For disclosure of other audit firms participating in the audit, the requirement will be effective for reports issued on or after June 30, 2017.

A new PCAOB Form AP, *Auditor Reporting of Certain Audit Participants*, must be filed for each issuer audit, disclosing:

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

The standard 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. In the case of IPOs, the Form AP filing deadline will be 10 days after the auditor's report is first included in a document filed with the SEC.

The purpose of the rule is for investors to take into account not just the firm issuing the auditor's report but also the specific partner in charge of the audit and his or her history as an engagement partner on issuer audits, including whether he or she is associated with restatements or has experience with issuers of similar size or in a similar industry. The PCAOB believes that the name of the engagement partner could, when combined with the information about the experience and reputation of that partner, provide information about audit quality. Some have suggested this information would also assist audit committees in appointing auditors.

With respect to disclosure of other accounting firms, the PCAOB's inspection process has found that other firms' participation may be fairly substantial, especially in the use of accounting firms in foreign countries to audit non-U.S. subsidiaries.

The initiative started with a concept release in 2009 and underwent multiple rounds of discussion and public comment. The prior proposal had required the information to be contained in the auditor's report. After concerns were raised about potential liability and the need to obtain consents in connection with securities offerings, the PCAOB developed a separate form instead. However, although audit firms had tried to discourage the possibility of the information being part of audit reports in any way, the final rules indicate that the firms may voluntarily identify the engagement partner and/or provide disclosure about other accounting firms participating in the audit in the auditor's report.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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