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Letters to the Editor
The Washington Post
Via Email

To the Editor:

I wholeheartedly agree with David Hilzenrath's observation that "outside auditors play a crucial role in the nation's financial system" ("Critics question effectiveness of auditing oversight board," July 11). However I do not believe that Mr. Hilzenrath's article adequately considers the significant positive impact the Public Company Accounting Oversight Board (PCAOB) has had on the public company auditing profession and, more importantly, investor confidence.

As articulated more fully in the CAQ's amicus brief to the U.S. Supreme Court in *Free Enterprise Fund, et al. v. Public Company Accounting Oversight Board, et al.*, the PCAOB was established to provide an independent mechanism to oversee the conduct of outside public company auditors. Its responsibilities include a more formal and rigorous inspection process. PCAOB inspections provide an independent review of audit quality, have focused firms on remediating audit issues identified during the inspections, and provided additional transparency to audit committees and investors.

The Council of Institutional Investors in its amicus brief to the Court stated, "In contrast to the patchwork, voluntary system [the PCAOB] replaces, concentrating those governing functions in a single, authoritative body promises greater clarity for auditors and issuers regarding the rules under which they must operate and enhances the investing public's understanding of the rules that are followed in generating the statements on which those investors must rely." Moreover, the CII stated that, "Both because the PCAOB starts its rulemaking process from a position of independence from the regulated industry and because that process invites participation by affected shareowners and other stakeholders, the outcome is likely to be

standards that better protect investors' interest in the accuracy of financial statements.”

This oversight has contributed to advancements in audit quality and caused stakeholders to have more confidence in the financial reporting system. The Center for Audit Quality's most recent survey of individual investors found that 70 percent of investors have confidence in audited financial statements. No doubt the PCAOB could improve its processes and coordination with a wider range of stakeholders; however it is difficult not to conclude that this strong measure of investor confidence is based on underlying confidence in the work of independent auditors and the positive effects of the current regulatory regime.

Sincerely,

A handwritten signature in black ink that reads "Cynthia M. Fornelli". The signature is written in a cursive, flowing style.

Cynthia M. Fornelli
Executive Director
Center for Audit Quality