



March 4, 2008

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Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, NW
Washington, DC 20006-2803

**RE: Request for Public Comment on Proposed Policy Statement:
Guidance Regarding Implementation of PCAOB Rule 4012; PCAOB
Release No. 2007-011**

Dear Office of the Secretary:

The Center for Audit Quality (CAQ or the Center) is an autonomous public policy organization serving investors, public company auditors and the capital markets and is affiliated with the American Institute of Certified Public Accountants. The CAQ's mission is to foster confidence in the audit process and aid investors and the markets by advancing constructive suggestions for change rooted in the profession's core values of integrity, objectivity, honesty and trust. Based in Washington, D.C., the CAQ consists of approximately 800 member firms that audit or are interested in auditing public companies. We welcome the opportunity to share our views on the Public Company Accounting Oversight Board's (PCAOB or the Board) proposed policy statement: *Guidance Regarding Implementation of Rule 4012* (proposed guidance).

The proposed guidance articulates an approach and certain criteria that, if met, would allow the PCAOB to place "full reliance" on an inspection of a PCAOB-registered non-U.S. firm conducted by the audit oversight entity located in the firm's home country.

The CAQ believes that U.S. investors and the securities markets benefit through coordination and cooperation among national regulators. In an increasingly global economy, where transactions and events impacting businesses constantly cross national borders, convergence of standards and coordination of regulatory efforts are imperative.

As reflected in the proposed guidance, many nations are enacting audit oversight entities that share the goals of the PCAOB, such as protecting investors, enhancing audit quality, and assuring public trust in public company audits and in the auditing profession. The willingness of the

PCAOB to coordinate its inspection efforts with those oversight entities signals an appropriate level of respect for other nations' regulatory advancements. In that vein, we applaud your efforts to work with other audit regulators around the world.

Under the CAQ's governing documents, our membership consists of auditing firms located in the United States that are registered with the PCAOB. U.S. firms that are not registered with the PCAOB may become "associate" members of the CAQ. Non-U.S. firms are neither members nor associate members of the CAQ.

Because the greatest and immediate impact of your proposed guidance would be on non-U.S. firms that are not members of the CAQ, we direct your attention to the comment letters that are being provided by the auditing firms' global organizations. Those letters provide substantive suggestions related to the proposed guidance.

In general, the CAQ believes that determining the level of reliance on a non-U.S. audit oversight body based on adherence to important principles, assessed by reference to compliance with key criteria, is a reasonable approach. We note, however, that legal, regulatory, cultural and other differences among nations might cause audit oversight entities in different countries to follow somewhat different approaches to satisfy the underlying principles. Accordingly, strict adherence to a series of essential criteria might cause the PCAOB to place more or less reliance on a home country oversight entity than is warranted in the circumstances. We encourage the PCAOB to use the essential criteria as a general guide to assess the extent of compliance with the principles, rather than as a "checklist" of criteria that must be satisfied to grant full reliance.

If the CAQ may be of any assistance in discussions of the comment letters received in response to the proposed guidance, we would welcome the opportunity to meet with you.

Sincerely,



Cynthia M. Fornelli
Executive Director
Center for Audit Quality

Cc: PCAOB
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