



28 August 2008

Mr Arthur Levitt Jr
Mr Donald Nicolaisen
Co Chairman
Advisory Committee on the Auditing Profession

Dear Mr Levitt and Mr Nicolaisen

The Institute of Chartered Accountants in Australia (ICAA) represents the majority of accountants licensed to undertake audits of listed entities in Australia. This includes Australian members of 'Big 4' and the mid-tier global networks.

Given such membership ICAA continually monitors developments in other jurisdictions where these networks have significant operations. Consequently we have reviewed the second draft report of the Advisory Committee on the Auditing Profession. A number of the Australian members of the global networks have been required to register with the Public Company Accounting Oversight Board ('PCAOB').

We note the concern expressed in the report that *'the loss of one of the larger auditing firms would likely have a significant impact on the capital markets'*.

The ICAA has long considered that liability reform as it affects auditors must be a crucial component in reducing the likelihood of one of the larger firms failing. In Australia we have addressed this through advocating successfully for legislation which provides capping of auditor liability and proportional liability. However given the globalised nature of the capital markets sustainability of the global networks necessitates all major jurisdictions in which they operate addressing the issue of liability.

The EU member states have recognised this through the European Committee's recent recommendation to EU member states and the need for action on auditor liability. Given the size of the US economy and the size and status of the US firms within the global audit networks we consider that comment on the issue of limiting liability as a means of enhancing the sustainability of the auditing profession and reducing risks to the capital markets in the final report of the Advisory Committee would be very much in the "public interest".

Accordingly we encourage the Committee to consider this when finalising its report.

Yours sincerely

GRAHAM MEYER
Chief Executive Officer

33 Erskine Street
Sydney NSW 2000
GPO Box 3921
Sydney NSW 2001
service> 1300 137 322
phone> 61 2 9290 1344
fax> 61 2 9262 1512

60 Marcus Clarke St
Canberra ACT 2600
phone> 61 2 6282 9600
fax> 61 2 6282 9800

L32, 345 Queen Street
Brisbane Qld 4000
phone> 61 7 3233 6500
fax> 61 7 3233 6555

L11, 1 King William Street
Adelaide SA 5000
phone> 61 8 8113 5500
fax> 61 8 8231 1982

TCCI, 30 Burnett Street
North Hobart Tas 7000
phone> 1800 014 555
fax> 61 3 9670 3143

L3, 600 Bourke Street
Melbourne Vic 3000
phone> 61 3 9641 7400
fax> 61 3 9670 3143

Grd, 28 The Esplanade
Perth WA 6000
phone> 61 8 9420 0400
fax> 61 8 9321 5141