



November 30, 2021

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

**RE: PCAOB Rulemaking Docket Matter No. 042**

Dear Madam Secretary:

We appreciate the opportunity to comment on the Public Company Accounting Oversight Board's (the PCAOB or "the Board") Second Supplemental Request for Comment: *Proposed Amendments Relating to the Supervision of Audits Involving Other Auditors and Proposed Auditing Standard – Dividing Responsibility for the Audit with Another Accounting Firm* included in PCAOB Release No. 2021-005 (the "release"). We commend the Board for continuing to seek public input to inform its standard setting.

***How the landscape in which multi-location audits are conducted has and continues to evolve***

Since the Board commenced its standard-setting activities related to other auditors in 2016, the landscape in which multi-location audits are conducted has continued to evolve. Broadly, the manner in which many companies are structured continues to change – some businesses are increasingly centralizing and standardizing processes, while others are expanding globally and have highly dispersed operations. Laws or regulations in the jurisdictions in which companies and auditors operate also affect how a multi-location audit is conducted, including what audit documentation can be provided to lead auditors. The increased use of technology has made it easier for lead auditors to be more involved in the work of other auditors, facilitating review and resulting in more frequent and comprehensive communications with other auditors.

We support the PCAOB's consideration of enhancements and the promotion of consistency in the lead auditor's performance when supervising other auditors. The nature of interaction between the lead auditor and other auditors is important to audit quality. We appreciate the PCAOB's acknowledgement that the existing methodologies of larger firms continue to emphasize the need for the lead auditor to be sufficiently involved in the work of other auditors, as well as to oversee the work of other auditors using a risk-based approach. This is because larger firms' methodologies incorporate the framework provided by ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*, which is, in our view, a robust framework for multi-location audits. The IAASB has also devoted significant attention to initiatives that are intended to enhance firms' system of quality control, as well as strengthen responsibilities designed to bring quality at the engagement level, including in multi-location audits. We appreciate the PCAOB considering whether to leverage these efforts in light of the shared goals of audit quality.

Additionally, global network firms (GNFs), have made significant investments in developing network policies, methodology, technology, training, and quality review processes. Effective systems of quality control underpin audit quality. Leveraging our global network is an important part of how we perform multi-location audits, including how we determine the extent of supervision of other auditors. In conducting multi-location audits, our engagement teams consider relevant network information and prior experience with other auditors, not just the fact that the respective firms are part of a common network.



### ***Key principles that should underpin a quality multi-location audit***

We agree that AS 1205, on its own, may not be sufficient to consistently promote the appropriate involvement of lead auditors when other auditors are used. We believe the PCAOB should build upon the approach set out in AS 1205 by codifying observed best practices. However, the final standards must be capable of being scaled and tailored to varying circumstances by a range of firms in and outside of the US. It is important that the final standard supports auditors in being able to scope and plan the audit as is most appropriate in response to the nature and circumstances of the company. We are concerned that certain aspects of the proposed requirements are not sufficiently scalable, particularly when applied in complex global multi-location audits, as further detailed below.

For the proposed enhancements to be effective, it should be clear how the requirements in various PCAOB standards interact with respect to scoping a multi-location audit and deciding whether, and to what extent, to involve other auditors, including how those other auditors will be supervised. As PCAOB inspection observations indicate (page 58 of the release), audit quality improves when there is regular, consistent communication between the lead auditor and other auditors. Good practices cited include, among others, holding planning meetings with other auditors, reviewing audit work papers remotely or during site visits, and meeting with local management during site visits. This is consistent with our experience and one of the key tenets of our global network methodology – planning and performing a multi-location audit is an iterative process involving two-way communication between lead auditors and other auditors. Other auditors can be involved in a number of ways – from performing an audit of the entire financial information related to a location or business unit, an audit of certain accounts and disclosures, or specified procedures developed and communicated by the lead auditor.

Principles-based, scalable requirements can be used to promote adequate focus on the most significant judgments made in a multi-location audit. We therefore support the PCAOB's approach that the lead auditor exercises professional judgment in determining the nature, timing, and extent of supervision of other auditors. However, we are concerned that certain of the proposed requirements could be viewed as setting out a formulaic, prescriptive approach to written communications between lead auditors and other auditors that could become overly administrative, and detract from the most relevant aspects necessary to effectively perform audit procedures, including the real-time communications that we believe benefit quality today.

We believe that in order for the proposed requirements to maintain or enhance audit quality, the final standards should reflect the following principles:

- The firm's determination that it can serve as the lead auditor considers both quantitative and qualitative factors – with the overriding principle that the lead auditor must be able to be sufficiently involved in the work of other auditors. How that involvement will occur in practice may vary - the extent of the lead auditor's supervision of other auditors should be commensurate with the risks of material misstatement at locations audited by other auditors, and take into account the lead auditor's views about the knowledge, skill, and ability of the other auditor and, where applicable, relevant information from the network.
- Systems of quality control must be leveraged by both lead auditors and other auditors, including with respect to consideration of the other auditor's knowledge, skill, and ability and compliance with independence requirements. The proposed standards should be underpinned by the expectation of compliance with the PCAOB's current quality control standards. In this regard, we believe it is more appropriate for the PCAOB's project on quality control to advance first in order for the Board to better consider what information could be required to be shared about a firm's system of quality control in the context of a multi-location audit (e.g., as a written affirmation).



- While a focus on increased involvement by the lead auditor is appropriate, the final standard should strike a balance between the responsibilities of the lead auditor and the other auditor. It should be clear that other auditors are responsible for the performance of their own work in accordance with PCAOB standards, in particular those related to planning and supervision.
- Communications between lead auditors and other auditors should occur in a timely manner, and focus on the most significant judgments that are relevant to the consolidated financial statements, as well as the work to be performed at the location or business unit, and be in writing when necessary.

### ***Recommendations***

We appreciate the PCAOB's continued interest in understanding whether there are practical challenges associated with the proposed standards. We believe this is an important consideration - if what is expected to comply with proposed requirements is not clear or does not take into account potential practical challenges, there will likely be inconsistent implementation, which would not benefit audit quality and investor protection. On this basis, we have included in the appendix initial views on what we see as potential practical challenges or areas where additional clarification is necessary before finalizing the proposed standards. We welcome further opportunities to engage with the Board to more fully explain how changes in the global business environment - as a result of regulatory impacts and developments by international standard setters, have affected how we perform multi-location audits. We have also commenced efforts to consider the impacts that are likely to occur as a result of our network adopting ISA 600 (Revised), which has also helped inform our views regarding the PCAOB's proposals.

In the appendices, we have provided responses to each of the questions outlined in the release, and have offered an alternative approach to certain requirements to illustrate how we believe they could be reformulated to respond to our concerns about practicality and complexity while still achieving the PCAOB's objectives.

### ***Effective date***

Given the potential impact of the proposals on planning, risk assessment, and communications, we believe the PCAOB should allow for implementation to take place over a minimum of two audit cycles (i.e., the proposals should become effective no sooner than for audits beginning two years after the year of SEC approval). Adequate lead time allows firms to effectively implement the proposals, including to develop training for the practice for both lead auditors and other auditors, which benefits audit quality. Dialogue with the profession as firms work to implement the proposals will inform the PCAOB if further guidance may be needed to promote appropriate consistency in interpretation.

\* \* \* \* \*

We appreciate the opportunity to express our views and would be pleased to discuss our comments or answer any questions that the PCAOB staff or the Board may have. Please contact Heidi Schuetze at [heidi.schuetze@pwc.com](mailto:heidi.schuetze@pwc.com) or Brian Croteau at [brian.t.croteau@pwc.com](mailto:brian.t.croteau@pwc.com) regarding our submission.

Sincerely,

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP



**Responses to specific questions**

**1. In recent years, have there been changes to auditor practices related to the use of other auditors?**

Our firm’s methodology complies with the requirements of PCAOB standards, as well as ISA 600, which came into effect for 2010 audits. Since the network’s adoption of ISA 600 (and the US Auditing Standards Board’s similar standard), changes to auditor practices related to the use of other auditors have been particularly related to (i) the increased use of and investment in audit tools and technology; (ii) investments in systems of quality control; and (iii) the use of service delivery centers (referred to in the PCAOB’s release as “shared service centers”).

As noted in the PCAOB’s release, firms such as ours have issued tools and guidance to support the application of our methodology as the environment in which we conduct multi-location audits has evolved. Our firm policies and procedures are premised on the view that effective two-way communication throughout the audit is crucial to audit quality, including how we direct and supervise other auditors and how we review their work. In addition, our planned involvement in the work of other auditors is based on our understanding of their capabilities and our assessment of the significance, risk, and complexity associated with the location or business unit where they will perform work. Through communications and training, we have emphasized these concepts and shared best practices.

Our firm has made significant investments in technology that allows for enhanced collaboration with clients as well as other auditors within our network. Our suite of tools is designed to facilitate the exchange of information between lead auditors and other auditors, streamlining communications, enhancing collaboration and workflow, and providing greater visibility via real-time status updates across multi-location audits. Additionally, in the COVID-19 working environment, we provided guidance on how to enhance coordination with other auditors through the use of virtual site visits.

Additionally, global network firms (GNFs), have made significant investments in developing network policies, methodology, technology, training, and quality review processes. Effective systems of quality control underpin audit quality. Leveraging our global network is an important part of how we perform multi-location audits, including how we determine the extent of supervision of other auditors. In conducting multi-location audits, our engagement teams consider relevant network information and prior experience with other auditors, not just the fact that the respective firms are part of a common network.

Lastly, our audit model has evolved to one that centralizes processes to promote quality, consistency, and efficiency through use of shared service centers. These shared service centers are used by both lead auditors and other auditors within the network to complete certain audit procedures.

**2. Have there been changes to issuer circumstances (e.g., evolving structures, use of new technology) that affect how audits of multinational companies are conducted, including with regard to work performed by other auditors?**

The business world is evolving rapidly. Companies are facing fast-changing global issues, sustained economic uncertainty, disruptive new technologies, and increasingly interdependent stakeholder relationships that are changing their business models. Approaches to scoping a multi-location audit are evolving in light of the structure of companies and their financial reporting processes and controls and the need to design audit approaches that are most effective in response to the assessed risks.



We have observed an evolution in issuer circumstances particularly due to: (i) changing organizational structures, including increased globalization and centralization through the use of their own shared service centers and reorganizations for tax purposes; (ii) the use of new technology and integrated systems; (iii) the impact of COVID-19, which in some cases necessitated the use of virtual communication tools and the virtual execution of internal controls; and (iv) the impact of rules and regulations across jurisdictions, such as mandatory firm rotation in the EU and access restrictions in certain territories. We have been able to accommodate these changes as they occur because our approach to planning and performing a multi-location audit is sufficiently nimble and is premised on a sufficient understanding of the company and the environment in which it operates, and internal control, which informs our robust risk assessment and design of procedures to specifically respond to those risks.

**3. Are the proposed definitions of “lead auditor” and “other auditor,” with respect to the descriptions of individuals who work under the firm’s direction and control and function as the firm’s employees, clear? If not, how should the definitions be revised?**

We believe the proposed definitions of lead auditor and other auditor are sufficiently clear.

Employees of shared service centers, secondees, leased personnel in firms with alternative practice structures, consulting firms, and temporary workforce agencies may often work in the same capacity as personnel on the engagement team. We believe it is the PCAOB’s intent that these individuals be included in the definition of “lead auditor,” provided they work under the lead auditor firm’s direction and supervision and function as the firm’s employees. Accordingly, we support the additional clarification in the definition of the lead auditor, and the additional note that identifies secondees as an example of such other individuals.

**4. Are the proposed considerations regarding serving as the lead auditor in an audit that involves other auditors or referred-to auditors – based on the importance of the locations, risks of material misstatement, and extent of the engagement partner’s firm’s supervision – appropriate and clear?**

We generally agree with the considerations regarding serving as the lead auditor as included in the proposed standard, as well as the PCAOB’s intent to increase the likelihood that the firm issuing the auditor’s report performs audit procedures for a meaningful portion of the company’s financial statements. Determining whether the firm can serve as the lead auditor involves significant professional judgment, taking into account quantitative and qualitative factors specific to the audit.

It continues to be important for the standard to take into account the fact that, in certain jurisdictions, including the US, laws or regulations require an auditor licensed in the jurisdiction to sign the auditor’s report. This could create a conflict when determining which firm should serve as the lead auditor, specifically when a company’s operations are primarily outside the jurisdiction in which the auditor’s report must be signed. In our view, this is a qualitative consideration that must be taken into account to find a solution that appropriately considers audit quality.

The new criterion in AS 1201.06Ac better accommodates such circumstances, but we believe further emphasis could be given to acknowledge that (i) the three criteria in AS 1201.06A are not mutually exclusive, and (ii) auditors will need to consider the facts and circumstances specific to the audit (e.g., legal and licensing restrictions of certain jurisdictions). Additionally, the lead auditor may often not be able to fully consider certain criteria in a divided responsibility situation, for example related to the identified risks of material misstatement of a location or business unit audited by a referred-to auditor. Accordingly, the overall principle of involvement (consistent with AS 1201.06B) is likely more relevant than the concept of “supervision” in AS 1201.06Ac.



**5. Are the proposed requirements relating to the lead auditor’s responsibilities regarding other auditors’ compliance with the independence and ethics requirements appropriate? Are there any practical challenges associated with the proposed amendments? If so, what are they, and how could the proposed requirements be revised to address the challenges?**

We support the principle of enhancing communications between lead auditors and other auditors in a multi-location audit in a timely manner to better enable the lead auditor to determine compliance with independence and ethics requirements in accordance with AS 2101.06D. We were encouraged to see that the PCAOB proposed further amendments in the most recent release in light of comments received by the Board about the practicality of additional proposals set out in 2017. However, there may also be practical challenges associated with certain aspects of the newly proposed approach, as described below.

***Written affirmations***

We agree with retaining the requirement in AS 1205 for each other auditor to provide a written affirmation as to whether the other auditor is in compliance with the independence and ethics requirements, as the other auditor should be accountable for that compliance. We also agree that the other auditor’s firm’s system of quality control should underpin this written affirmation. Accordingly, we support the principle of obtaining the new written affirmation required by AS 2101.06Db about the other auditor’s policies and procedures relating to independence and ethics requirements.

Consistent with existing quality control standards, we believe the other auditor could provide a written assertion that the other auditor [firm] has policies and procedures that *are intended to* (emphasis added) provide it with reasonable assurance that the other auditor [firm] maintains compliance with SEC independence requirements and PCAOB independence and ethics requirements. We suggest this be clarified. If this is not the PCAOB’s intent, further consideration would be needed for the PCAOB to address the basis on which such assertions are intended to be made and the challenges that may arise between providing a written affirmation that the policies and procedures provide reasonable assurance at many points in time during a year given the way in which firm’s systems of quality control operate (e.g., ongoing monitoring and remediation, periodic testing, and, in accordance with ISQM 1, an annual evaluation that the system provides the firm with reasonable assurance), as part of the PCAOB’s separate project on quality control.

Further guidance could also be helpful to explain the intent of the requirement. As an example, when the other auditor does not have policies and procedures, it is unclear what the lead auditor’s response should be with regard to the description of how the other auditor determines its compliance with the requirements. In our view, it could be read as implying the lead auditor would have to evaluate the basis for the other auditor’s written affirmation of compliance with independence and ethics requirements, which in most cases lead auditors are not necessarily well-placed to do.

Separately, we agree that communication between the lead auditor and other auditor on changes in circumstances should happen in a timely manner. However, we do not believe it is necessary for other auditors to reaffirm in writing every time an update is communicated by the lead auditor given the potential this creates for excessive written communication back and forth and additional effort for all the other auditors to make such reaffirmation each time. Complying with this degree of frequency could detract from audit quality by being overly focused on record keeping and not on timely communication and resolution of issues. We believe the lead auditor should have discretion as to whether to request written updates during the audit, with the principle that the other auditor be expected to communicate any potential issues that may reasonably be thought to bear on independence in a timely manner, and that the written affirmation be updated in connection with the other auditor’s audit documentation in accordance with AS 1215.19.



*Information that may contradict an affirmation or otherwise indicate it may not be reliable*

We support the PCAOB's proposal for the lead auditor to perform additional procedures when there are indications that written affirmations provided by other auditors may not be reliable. If such information comes to light (including based on what is communicated by the other auditor), the lead auditor should take action to understand both the effect on the determination of compliance with independence and ethics requirements in the context of the multi-location audit, as well as the implications for using the work of the other auditor. For example, the lead auditor may become aware of relevant information about firms for which there may be concerns about independence or their systems of quality control (e.g., due to enforcement actions or findings of external inspections or other regulatory reviews). In our view, such information may be relevant to discuss with the other auditor but, in and of itself, does not necessarily indicate that the other auditor's written affirmations are not reliable.

### ***Reference to the audit client***

We agree that other auditors should be aware of, and confirm that they have complied with, the SEC and PCAOB independence and ethics requirements that apply to the work they are asked to perform.

To be consistent with existing independence requirements, we suggest the PCAOB clarify that the communications between the lead auditor and other auditor be focused on ensuring that the other auditors are appropriately aware of which PCAOB and SEC requirements are relevant to *their* audit client and *its* affiliates. For example, in the case of a significant influence investee that is the other auditor's audit client, the other auditor will be required to be independent of the significant influence investee and other entities which meet the affiliate definition when looking from the perspective of that significant influence investee. However, the parent company and certain other entities that are part of the consolidated financial statements on which the lead auditor is reporting may not be affiliates of the significant influence investee even though they are affiliates of the parent audit client from the lead auditor's perspective.

### **6. Are the proposed amendments relating to the knowledge, skill, and ability of the other auditor, revised by this release, clear and appropriate? Are there any practical challenges associated with the proposed amendments? If so, what are they, and how could the proposed requirements be modified to address the challenge?**

We agree with the importance of gaining an understanding of the knowledge, skill, and ability of the other auditor. However, we are concerned there are practical challenges with how this is articulated in the proposals. Paragraph .06Ha of AS 2101 would require the lead auditor to obtain an understanding of the knowledge, skill, and ability of the other auditor's *engagement team members who assist the lead auditor with planning or supervision (emphasis added)*. As currently drafted, it is unclear as to whom this may apply, and on a large multinational audit, could be interpreted as the lead auditor having to obtain such understanding of a significant number of individuals, which is impracticable. In our view, it may be most meaningful to focus on gaining an understanding of the knowledge, skill, and ability of the engagement partner responsible for the work of the other auditor engagement team and instruct the other auditor engagement partner to make the lead auditor aware of any concerns about the knowledge, skill, and ability of its team. We suggest revising the requirement to focus on obtaining an understanding of the knowledge, skill, and ability of the other auditor more holistically (by deleting the phrase "engagement team members who assist the lead auditor with planning or supervision").

There are often important network-level policies and procedures, including in relation to common training curriculum and monitoring of quality, that provide the lead auditor with information relevant to considering whether the other auditor has the appropriate knowledge, skill, and ability. We believe these policies and procedures, together with the lead auditor's experience in working with the other auditor, can be leveraged to a great extent when the lead auditor and other auditor are part of the same network.



Importantly, this understanding would be supplemented by the other auditor's written affirmation that its work was performed in accordance with PCAOB standards (including the requirement in AS 2101.06 relating to the other auditor's efforts in relation to the knowledge, skill, and ability of the other auditor's engagement team member), and the specific written affirmation in paragraph AS 2101.06Hb. We support obtaining this new written affirmation, as it is the mechanism by which the other auditor engagement partner is held accountable for exercising due professional care in accordance with AS 1015.

When an other auditor is not part of the same network, we would expect that efforts to understand the knowledge, skill, and ability of the other auditor would focus on inquiry, knowledge of and prior experience with the other auditor, and consideration of publicly-available information that might indicate concerns with the quality of the other auditor's work (including communications regarding the other auditor's professional competence from professional bodies, licensing authorities, or other third parties). The written affirmations from the other auditor would also be taken into account. If based on this, the lead auditor has concerns about the knowledge, skill, or ability of the other auditor, the planned involvement in the work of the other auditor would likely increase, or the lead auditor might ultimately conclude it is inappropriate to use the other auditor.

Separately, while we understand the PCAOB's rationale for the proposed amendment to AS 2101.16 to determine whether relevant knowledge of foreign jurisdictions is necessary when dealing with a multi-location audit, such consideration may only be applicable in certain circumstances. In our view, it would be more meaningful to incorporate consideration of whether to use other auditors in the context of judgments about multi-location audits in accordance with AS 2101.11.

**7. Are the proposed amendments to AS 1201 regarding procedures to be performed by the lead auditor with respect to the supervision of work performed by other auditors appropriate and clear? Are there any practical challenges associated with the proposed amendments? If so, what are the specific challenges, and how could the proposed requirements be modified to address them?**

We support the Board applying a risk-based approach to the supervision of the work of other auditors, consistent with the premise of AS 1201.06. However, we are concerned that the manner in which the proposed requirements in AS 1201 are drafted may undermine the Board's intent in AS 1201.07 that the lead auditor can exercise judgment in determining the extent of supervision of other auditors (see further discussion below).

A more principles-based approach, focused on timely communication of the most relevant aspects necessary for both lead auditors and other auditors to effectively perform audit procedures in support of the multi-location audit, would be preferable. We respectfully offer an alternative means of presenting the proposed requirements related to supervision of other auditors in Appendix 2. Our proposed approach is consistent with proposed revisions to ISA 600, which address a number of the same matters the PCAOB is seeking to enhance in its standard setting. We would be pleased to provide additional rationale for these recommendations and share more specific details about our firm's methodology for multi-location audits.

***Determining the nature and extent of supervision of other auditors***

We believe including specific factors in the final standard would promote consistency for auditors in applying the elements of paragraph .06 of AS 1201 to other auditors. We suggest a focus on the following principles:

- The proposed standard should be clear that the lead auditor's understanding of the other auditor, including the assessment of the knowledge, skill, and ability of other auditors and previous experience with the other auditor, directly impacts the lead auditor's determination of the extent of supervision of the other auditor.





- Key judgments in accordance with AS 2101.11-.12, which sets the foundation of the lead auditor’s work in a multi-location audit, are also taken into account. These include the nature of the location or business unit at which other auditors will perform audit procedures, and the nature, timing, and extent of procedures they will perform.
- The lead auditor should be permitted to consider the extent of network-level policies and procedures, as well as processes and controls, in considering the knowledge, skill, and ability of the other auditor and determining the extent of supervision. In this regard, proposed ISA 600 (Revised) specifically acknowledges that policies or procedures established by the firm, or that are common network requirements or network services, may facilitate communication between the lead auditor and other auditors and support the lead auditor’s supervision of those other auditors and the review of their work.
- In a multi-tiered audit, it is important for the lead auditor to have an upfront understanding of whether and, if so, how a first other auditor may intend to use a second other auditor (see our responses to questions 8 and 9).

### ***Supervision of other auditors, including communications***

We agree with the objective outlined on page 29 of the release, which notes that the proposed amendments are designed to be scalable based on the lead auditor’s determination of the extent of supervision of the other auditor needed. However, we are concerned that certain requirements could be viewed as setting out a formulaic, prescriptive approach to written communications between lead auditors and other auditors that could become overly administrative, potentially result in incremental costs with little benefit, and potentially detract from other real-time communications that we believe benefit quality today.

We believe it is important that the requirements appropriately recognize that other auditors may be involved in a number of different ways (e.g., the performance of further risk assessment procedures, an audit of the entire financial information of the location or business unit (referred to hereafter as a “full scope audit”), an audit of certain accounts and disclosures of the location or business unit, or specified procedures on certain accounts and disclosures of the location or business unit). Additionally, we believe the lead auditor’s approach to supervision could vary significantly depending on whether or not the other auditor is part of the same network as the lead auditor.

We support the need for the other auditor to be made aware of information that is relevant and commensurate with the work they are being asked to perform. We also believe that senior members of the other auditor engagement team are best able to supervise and execute on the day-to-day responsibilities of the portion of the audit on which they are reporting, including review of audit documentation. Finally, we believe technology can be leveraged to support effective two-way communication and ultimately supervision of the work of other auditors.

Our recommendations in Appendix 2 are intended to capture all the elements addressed by the PCAOB in their proposed standards, albeit in a more principles-based manner, based on the following beliefs:

- The lead auditor’s work in a multi-location audit should be considered in the context of the consolidated financial statements, in regards to both planning the audit in accordance with AS 2101, and identifying and assessing risks of material misstatement in accordance with AS 2110.
- The standards need to be clear about what is meant by “the scope of the work to be performed by the other auditor” and how this influences the way in which lead auditors and other auditors communicate with each other during a multi-location audit.



- The focus should be on the lead auditor’s communications about the matters that will be most relevant to the work to be performed by the other auditor, its expectations regarding that work, and its judgment about whether it is necessary to review the other auditor’s planned procedures or obtain and review a description of them depending upon the lead auditor’s determination of the extent of supervision of the other auditor.
- The other auditor is expected to advise the lead auditor on a timely basis regarding any information that would affect the consolidated financial statements or cause the other auditor to recommend changes to the scope of the other auditor’s work.
- Tailored, two-way communication throughout the audit is more beneficial than potentially lengthy standardized written communications. Rather than memorializing every discussion between the lead auditor and other auditors, the focus should be on documentation of the final audit plan (including how other auditors will be involved) and the results of procedures that were performed, supported by other auditor documentation in accordance with AS 1215.19.
- When the lead auditor and other auditor have a common methodology, that understanding of the procedures the other auditor would perform can be leveraged and communications focus on any areas where the other auditor may consider it necessary to deviate from methodology and the reasons why.

We agree that the lead auditor must take responsibility for the identification and assessment of the risks of material misstatement of the consolidated financial statements, as well as the nature, timing, and extent of further audit procedures to be performed to appropriately respond to those risks. In scoping the multi-location audit, the lead auditor performs initial risk assessment procedures and identifies risks of material misstatement at the consolidated financial statement level, which ultimately results in the identification of significant accounts and disclosures and their relevant assertions in accordance with AS 2110.59. The lead auditor then develops the audit plan, including the proposed scope of audit procedures to be performed at locations or business units and the extent to which other auditors will be involved. This initial scoping process and risk assessment by the lead auditor should form the basis for further communications with other auditors, with the goal of helping them understand how their work supports the consolidated financial statement audit and guide them effectively as they perform work at the location or business unit.

When an other auditor is requested to perform a full scope audit or an audit of a specific account balance at a location, and the lead auditor is satisfied as to the other auditor’s knowledge, skill, and ability, we believe the other auditor is then best placed to perform the detailed risk assessment for the respective location or business unit and develop appropriate responses to those risks. In many instances, the other auditor of a location or business unit is better suited to identify likely sources of potential misstatement due to its knowledge of a component’s specific systems and processes, information technology infrastructure, and regulatory environment, among other matters. This exercise may involve the performance of additional risk assessment procedures to supplement the lead auditor’s risk assessment and may, in certain instances, result in the identification of additional significant risks of material misstatements that should be communicated to the lead auditor.

In our previous feedback on the 2017 supplemental request for comment, we agreed that it is important for the lead auditor to communicate to other auditors its views on *significant* risks that have been identified and other potential risks of material misstatement that may be relevant to the other auditor’s work. We understand, supported by review of page 32 of the release, that the PCAOB has not limited the lead auditor’s communication “to significant risks (as some commenters suggested) because doing so could lead to inadequate testing of significant accounts and disclosures where a reasonable possibility of material misstatement to the financial statements exists.” Requiring the lead auditor to communicate all identified risks of material misstatement to the consolidated financial statements that are applicable to the location or business unit may not necessarily fully alleviate the PCAOB’s concern, in particular if the information is not appropriately considered and acted upon by the other auditor.



Rather, we believe it is necessary for the communications between the lead auditor and other auditor to be appropriately tailored based on the work that the other auditor is tasked to perform and the lead auditor's determination of the extent of supervision of the other auditor. We support a requirement that focuses on the lead auditor supplementing the communication about identified significant risks to the consolidated financial statements with communications about other matters that would assist the other auditor in developing a more granular view of risks specific to the location or business unit in circumstances when the other auditor is performing a full scope audit or an audit of one or more specific account balances (e.g., about judgments made by the lead auditor in scoping the multi-location audit). When the other auditor is performing specific procedures designed and communicated by the lead auditor, it is less likely there would need to be communications beyond the significant risks.

For example, to acknowledge the importance of the lead auditor providing the other auditor with context around the proposed scope of its work, we have proposed requiring that the lead auditor communicate the "significant accounts and disclosures within the consolidated financial statements that are relevant to the work to be performed by the other auditor." In practice, we would expect the communications with other auditors to provide relevant information to assist them in effectively performing the scope of work requested by the lead auditor - leveraging the factors described in AS 2110.12.

The lead auditor's communications would also make the expectation clear that communications from other auditors identify matters that may be relevant to the lead auditor's assessment of risks of material misstatement to the consolidated financial statements. For example, consistent with practice today, when the other auditor performs additional risk assessment procedures in support of the audit of the consolidated financial statements, the other auditor communicates any incremental significant risks of material misstatement identified by the other auditor.

#### *Description of audit procedures to be performed by the other auditor*

Proposed AS 1201.09 would require the lead auditor to obtain and review a written description of the audit procedures to be performed by the other auditor based on the scope of the work communicated by the lead auditor, determine whether any changes to the other auditor's planned audit procedures are necessary and, if so, discuss the changes with, and communicate them in writing to, the other auditor. In practice today, lead auditors apply professional judgment in determining the nature and extent of review of the other auditor's audit strategy and audit plan, including potentially reviewing the procedures to be performed by other auditors). This judgment is based on the nature of the work being performed by the other auditor and risk characteristics that relate to both the:

- Location or business unit (e.g., the relative significance of the size and risk of the location or business unit to the consolidated financial statements); and
- Other auditor (e.g., the assessment of the knowledge, skill, and ability of the other auditor).

While we appreciate and agree with the language in the requirement that explains that the level of detail of this description would be determined based on the necessary extent of supervision of the other auditor's work, we remain concerned that this requirement is overly focused on obtaining written documentation rather than engaging with other auditors on the most significant judgments made in performing work at a location or business unit.

We agree it is necessary for the lead auditor to take responsibility for the nature, timing, and extent of the work to be performed by other auditors. However, we do not envision it would be necessary for the lead auditor to review a written description of the other auditor's planned procedures in all cases. We believe taking a more



principles-based approach to communications with other auditors would enhance quality by enabling lead auditors to more effectively tailor their communications based on the facts and circumstances:

- For example, when the other auditor is to perform a full scope audit, and both firms are part of the same network with common policies and procedures (including a common methodology), the lead auditor would already have an understanding of the procedures the other auditor would be required to perform in accordance with the network's methodology. Discussion throughout performance of the audit would focus on any areas where the other auditor may consider it necessary to deviate from that methodology and the reasons why.
- Similarly, scalability within the requirements is necessary to take into account the lead auditor's previous experience with the other auditor. For example, when an other auditor is first engaged to perform work at a location or business unit, the lead auditor may determine that a more detailed discussion of the other auditor's audit strategy and audit plan, including risk assessment and audit procedures planned to respond to those risks, is needed in the initial year. This may be particularly true when dealing with a new other auditor who is not a member of the same network. Subsequent to that first year, the lead auditor may focus more closely on changes in the other auditor's plan. The same would be true when the other auditor is to perform an audit of a specific account balance at a location or business unit. On the other hand, if a lead auditor requests an other auditor to perform specified procedures on certain accounts or disclosures, it would be unnecessary for the other auditor to provide a written description of procedures.
- In practice, we often find it more effective to engage directly with other auditors, for example through in-person or virtual site visits or other discussions, rather than detailed written communications. This may assist in improving communications, detecting potential problem areas, enhancing the lead auditor's knowledge of the client's overall business, as well as the location or business unit (and its management), and building substantive relationships with clients both at the head office and at locations or business units.

Assuming the lead auditor is satisfied with the knowledge, skill, and ability of the other auditor as required by paragraph .06H of AS 2101, senior members of the other auditor engagement team would assist the lead auditor with responsibilities for planning and supervision. This would include reviewing the planned nature, timing, and extent of procedures to respond to the assessed risks of material misstatement at the location or business unit. This appears consistent with the PCAOB's statement on page 49 of the 2016 proposal that "the lead auditor generally has better visibility of the entire audit and the other auditors have more detailed information than the lead auditor about audit areas in which they are involved."

#### *Access to and review of other auditor workpapers*

An important aspect of the lead auditor's supervision is review of relevant audit documentation. We support up-front consideration of whether the lead auditor will be able to gain access to the other auditor's documentation. Proposed AS 1201.12 would require the lead auditor to direct the other auditor to provide specified documentation concerning work to be performed based on the necessary extent of its supervision of the other auditor's work. We agree with the discussion on pages 35-36 of the release that explains that in some, but not all, cases review of additional documentation beyond the items listed in AS 1215.19 may be necessary. We generally support the changes made to AS 1201.12 since the 2017 supplemental request for comment to acknowledge the lead auditor's use of a risk-based approach in determining which specific documentation to review (including whether to review other auditor workpapers). However, it is important to acknowledge the challenges that occur in practice today with the other auditor "providing" certain audit documentation to the lead auditor. Privacy laws in certain jurisdictions may create obstacles for the transfer of the other auditor's documentation from the country in which the other auditor is located to the lead auditor's country. The increased use of technology, including virtual



meetings, has helped us overcome some of these challenges. We believe the proposed requirements should allow for a more principles-based approach to reviewing other auditor documentation beyond AS 1215.19. In our view, a “review” can be fundamentally completed without physically or electronically obtaining the workpapers subject to that review. The lead auditor might also visit the location of the other auditor or discuss with the other auditor the procedures performed, the evidence obtained, and the conclusions reached by the component auditor.

We suggest focusing on coordination between the lead auditor and other auditors, manifested in the other auditor’s agreement to perform the work requested by the lead auditor and confirmation that the lead auditor will be able to gain access to the other auditor’s documentation. We agree that the other auditor should continue to provide documentation in accordance with AS 1215.19, and that the lead auditor determine whether, and the extent to which, it is necessary for the lead auditor to review additional parts of the other auditor audit documentation, if any, beyond what is required by AS 1215.19, taking into account the two-way communication that has occurred throughout the audit.

**8. In multi-tiered audits, are the proposed requirements for situations in which the lead auditor directs an other auditor to perform supervisory procedures, and evaluates such supervision, with respect to a second other auditor on behalf of the lead auditor, clear and appropriate? If not, how should the proposed requirements be revised?**

We support both the PCAOB’s intent to clarify the supervision requirements for multi-tiered audits and the principle that the lead auditor may seek assistance from a first other auditor in fulfilling certain planning and supervisory responsibilities of the lead auditor with respect to one or more second other auditors. However, as drafted, we have concerns that the proposed requirements do not sufficiently reflect this principle, which may result in practical challenges.

In a multi-tiered audit, first other auditors are required to perform their work in accordance with PCAOB standards and therefore should apply all requirements in both AS 2101 and AS 1201 when they intend to use **second** other auditors. Accordingly, we are of the view that the lead auditor should be allowed to rely on the first other auditor’s work to a greater extent than the proposed requirements currently allow. We also believe it would be more clear to incorporate guidance explaining how the core requirements would be applied in multi-tiered audits as illustrated in Appendix 2, rather than establishing separate requirements as originally proposed.

***Definition of multi-tiered audits***

We do not believe that the proposed definition of multi-tiered audits, as outlined within proposed footnote 19 of AS 2101, provides sufficient context for the circumstances that may give rise to such audits. Currently, the definition appears to focus on instances when an other auditor assists the lead auditor in supervising a second other auditor or multiple second other auditors. We believe that the *structure* of the audit, and not entirely the nature of the review (as implied by the “e.g.,” portion of the definition), is likely more important to defining the concept of a multi-tiered audit. For example, a multi-tiered audit may exist even if the first other auditor does not assist the lead auditor in supervising the work of a second other auditor. We believe the characterization of multi-tiered audits in the 2017 release is more appropriate in explaining what is foundational to multi-tiered audits, and accordingly propose an update to the definition in footnote 19 in Appendix 2.

***Extent of supervision and description of the scope of the second other auditor’s work***

As written, the proposed requirements do not appear to allow for a first other auditor to assist in determining the extent of supervision of the second other auditors’ work in accordance with proposed paragraph .06 of AS 1201. We do not believe this is the PCAOB’s intent, based on language in footnote 102 of the release. As the first other auditor makes the judgment to use a second other auditor in performing the work requested by the lead auditor



(e.g., at sub-locations or business units), the first other auditor will often be in the best position to scope the work and determine the extent of supervision of the other auditor.

Additionally, a requirement for the lead auditor to obtain and review a written scope of work for each location or business unit in multi-tiered structures is a significant change from current practice and may be difficult to apply in audits that include many different locations and auditors. This may detract from the lead auditor's capacity, and divert its focus away from areas of highest risk. However, we agree the lead auditor should have an understanding of how second other auditors are used to consider whether, and if so, the extent to which the lead auditor should be involved in the work of the second other auditor, and also to comply with Form AP requirements.

In our view, there should be two-way communication between the lead auditor and the first other auditor when the first other auditor intends to use a second other auditor. The lead auditor should understand what the first other auditor has communicated to the second other auditor, including the scope of the work expected to be performed by the second other auditor, and the first other auditor's determination of the necessary extent of supervision of the second other auditors. In some but not all cases, the lead auditor may separately determine it is necessary to be involved in the work of the second other auditor (including review of the other auditor's documentation in accordance with AS 1215.19). This can occur, for example, based on the significance of the work the second other auditor is asked to perform. We suggest additional language to reflect the permissibility of this approach in paragraph .06Ad of AS 2101 and paragraph .08d3 of AS 1201 in Appendix 2.

### ***Evaluation of the first other auditor's supervision***

We support the proposed requirement in paragraph 15 of AS 1201 as we believe the lead auditor may not consider it necessary to separately review work performed by the second auditor. This is because, as acknowledged in the note to paragraph 14, the second other auditor's work may be incorporated into the first other auditor's documentation that is reviewed by the lead auditor. However, proposed paragraph .14 of AS 1201 would require the lead auditor, in supervising the first other auditor, to "evaluate the first other auditor's supervision of the second other auditor's work." We are unclear how such a requirement would be operationalized, in particular what would be taken into account in making this evaluation. As discussed in our response to question 7, the supervision of an other auditor throughout the multi-location audit is an iterative process. We believe up-front discussion between the lead auditor and first other auditor about how second auditors will be used and supervised would be more beneficial to audit quality. Because it may not always be possible for the lead auditor to observe the nature and extent of the review performed by the first other auditor, we also believe that the written affirmation obtained by the lead auditor from the first other auditor in accordance with new proposed paragraph .11 of AS 1201 should, as applicable, affirm the supervision of any second other auditors as agreed to with the lead auditor (see Appendix 2). Our drafting suggestions in paragraphs .08 and .09 of Appendix 2 reflect these views.

- 9. In multi-tiered audits are the proposed requirements in audit planning regarding:**
- a. The sufficiency determination relative to the extent of the engagement partner's firm's supervision of the other auditors' work, clear and appropriate; and**
  - b. Allowing the lead auditor to seek assistance from the first other auditor in performing the proposed planning procedures relating to the second other auditor's qualifications (i.e. independence and ethics, and knowledge, skill, and ability), clear and appropriate?**
- If the answer to questions 9.a or 9.b is that the proposed requirements are not clear and appropriate, how should they be revised?**

We agree the language related to multi-tiered audits in paragraph .06Ac is clear and appropriate.



We support the PCAOB's intent to clarify the planning requirements for multi-tiered audit scenarios and agree that first other auditors are often best suited to perform the planning procedures related to the second other auditor's qualifications. However, similar to our response to question 8, we are concerned with how the requirements are presented, in particular their placement. We suggest deleting the requirement in paragraph .06I of AS 2101 related to assessing the knowledge, skill, and ability of other auditors and positioning it as a note to the requirement in paragraph .06H of that standard, and noting that the first other auditor would be expected to communicate any concerns about the second other auditors' knowledge, skill, and ability to the lead auditor.

**10. Are the modifications in proposed AS 1206, including Appendix B, to reflect the auditor's report language in AS 3101, appropriate and clear?**

We support the PCAOB's proposal to retain a model that provides auditors with the ability to divide responsibility with other auditors in an audit of financial statements and, if applicable, internal control over financial reporting. We also support the PCAOB's efforts to specifically address requirements for divided responsibility in the proposed new standard AS 1206. We believe that the modifications proposed in AS 1206 are clear.

**11. Are the proposed amendments to AS 1105.B1 to guide auditors in equity method investment circumstances clear and appropriate? If not, how should the proposed requirements be revised?**

We are supportive of the Board's decision to no longer require the investor's auditor to supervise the investee's auditor's work in accordance with AS 1201. We agree that Appendix B of AS 1105 provides helpful context in evaluating the relevance and reliability of audit evidence associated with the valuation of investments based on investee financial results, and that the proposed amendments to AS 1105.B1 are helpful in clarifying that the lead auditor's assessment of audit evidence associated with audited financial statements of equity method investees is not intended to classify the investee's auditor as an "other auditor."

**12. Comment is requested on the new information provided in this section. Are there other data sources the Board should consider in establishing the baseline-for evaluating economic impacts? Are there additional academic research papers or external reports of which the Board should be aware? Are there additional economic problems associated with the use of other auditors? Would the revised proposed amendments result in economic impacts or unintended consequences beyond those described in the 2016 Proposal? Are there any other matters not addressed in this release that the PCAOB should consider in its economic analysis?**

As noted in a number of responses to specific questions, we believe compliance with certain requirements could drive increased costs without a commensurate benefit to audit quality. This is particularly true when the lead auditor and other auditor are part of the same network. If lead auditors and other auditors are not able to sufficiently leverage common systems of quality control (including methodology, training, and monitoring), this will lead to increased efforts to obtain written affirmations and descriptions of audit procedures that, in our view, are likely to be unnecessary.

**The Board requests further comment, including any available empirical data, on how the proposed amendments discussed in this release would specifically affect audits of EGCs and on whether the proposed amendments would protect investors and promote efficiency, competition, and capital formation.**

We see no reason to exclude EGCs from applying the proposed standards.



## Alternative approach to presented selected requirements

Note: The following represents an alternative approach to proposed paragraphs .07-.13 of AS 1201. Revisions are not shown in marked text, but reference has been included in brackets to the original requirements. Our responses to questions 7-9 in Appendix 1 provide the rationale for these suggestions. We would be pleased to discuss with the staff in greater detail.

### AS 1201, *Supervision of the Audit Engagement*

#### Procedures to Be Performed by the Lead Auditor with Respect to the Supervision of Work Performed by Other Auditors

.06A<sup>[new]</sup> In an audit that involves other auditors performing work regarding locations or business units, the involvement of the lead auditor (through a combination of planning and performing audit procedures and supervision of other auditors) should be commensurate with the risks of material misstatement associated with those locations or business units.<sup>FNA</sup> In accordance with paragraph .06 of this standard, the lead auditor should determine the extent of supervision of each other auditor's work by taking into account: [moved from paragraph .07 and new factors included]

- a. the nature of the location(s) or business unit(s) at which other auditors will perform audit procedures;
- b. the nature, timing, and extent of procedures to be performed by the other auditor;
- c. the knowledge, skill, and ability of each other auditor;<sup>FNB</sup> and
- d. in multi-tiered audits,<sup>FNC</sup> the extent to which the lead auditor plans to seek assistance from a first other auditor in determining the extent of supervision of one or more second other auditors.

Note: Regardless of the extent of supervision by the lead auditor, the other auditor remains responsible for the performance of its own work in accordance with PCAOB standards, including when using other auditors in multi-tiered audits.

FNA See AS 2101.06B and .11-12.

FNB See also AS 2101.06H.

FNC Multi-tiered audits are those in which the engagement team is organized in a multi-tiered structure, e.g., whereby a first other auditor performs work at a location or business unit that includes the financial information of a sub-location or sub-unit, and a second other auditor performs work at the sub-location or sub-unit. In these circumstances, the first other auditor may assist the lead auditor in supervising one or more second other auditors. [moved from paragraph .14, FN19, and enhanced to align more closely with the structure of an audit, as discussed in question 8]

.07 For engagements that involve other auditors, paragraphs .08-.10 further describe procedures to be performed by the lead auditor with respect to the supervision of work of other auditors, in conjunction with the required supervisory activities set forth in this standard. The requirements in paragraphs .08-10 supplement the requirements in paragraph .05 of this standard and take into account the lead auditor's determination of the extent of supervision of other auditors in accordance with paragraph .06A.

Note: In multi-tiered audits, the lead auditor may seek assistance from a first other auditor in performing the procedures in paragraphs .08-.10 with respect to one or more second other auditors, if appropriate pursuant to the factors in paragraph .06A. [moved from paragraph .14, as discussed in question 8]

.08 In accordance with AS 2101, in an audit that involves other auditors, the lead auditor determines the locations or business units at which to perform audit procedures, as well as the nature, timing, and extent of the procedures to be performed at those individual locations or business units.<sup>FND</sup> This includes assessing the risks of material misstatement to the consolidated financial statements and identifying significant accounts and disclosures and their relevant assertions based on the consolidated financial statements.<sup>FNE</sup> The nature, timing, and extent of communications between the lead auditor and other auditor may vary depending on the engagement responsibilities envisaged for the other auditor. Communicating information between the lead auditor and other





auditors is part of an iterative process throughout the audit and should address: [new introduction to align with requirements in other standards as discussed in question 7]

a. Matters determined by the lead auditor:

1. The scope of the work to be performed by the other auditor; [previously paragraph .08a]

Note: The other auditor may be asked to perform an audit of the entire financial information of the location or business unit, an audit of certain accounts and disclosures of the location or business unit, or specified procedures on certain accounts and disclosures of the location or business unit. [new]

2. The identified significant accounts and disclosures within the consolidated financial statements that are relevant to the work to be performed by the other auditor; [new]
3. The identified significant risks of material misstatement to the consolidated financial statements that are relevant to the work to be performed by the other auditor; [previously paragraph .08b(1), but revised to focus on significant risks]
4. When applicable based on the scope of work to be performed by the other auditor, matters that are relevant to the other auditor's design or performance of risk assessment procedures at the location or business unit; [new]
5. Tolerable misstatement;<sup>6</sup> and [previously paragraph .08b(2)]
6. The total (if determined) below which misstatements are clearly trivial and do not need to be accumulated.<sup>7</sup> [previously paragraph .08b(3)]

b. Matters identified by the other auditor applicable to the location or business unit that are relevant to the lead auditor's identification and assessment of the significant risks of material misstatement to the consolidated financial statements [new]

c. Matters that are relevant to the design or performance of audit procedures at the location or business unit, including circumstances that may indicate changes to the other auditor's planned audit procedures are necessary [incorporates elements of paragraphs .09-.10]

Note: The determination of the necessary audit procedures to be performed by an other auditor at a location or business unit may be made by the lead auditor, the other auditor, or a combination of both. For example, an other auditor may perform risk assessment procedures and develop responses to assessed risks of material misstatement to the location or business unit. Depending on the lead auditor's determination of the extent of supervision of the other auditor, the lead auditor may find it necessary to discuss the other auditor's planned procedures or obtain and review a description of them.

d. Cooperation between the lead auditor and the other auditor, including:

1. agreement that the other auditor will perform the work requested by the lead auditor; [new]
2. agreement that (1) the lead auditor will be able to communicate with the other auditor, (2) the other auditor will provide documentation in accordance with AS 1215.19 to the lead auditor, and (3) other documentation, as determined necessary by the lead auditor, will be made available and accessible to the lead auditor;<sup>41</sup> and [moved from paragraph .12, as well as paragraph .06Hc of AS 2101]
3. in multi-tiered audits, when the lead auditor plans to seek assistance from a first other auditor, discussion of the first other's auditor's:



- a. communications to any second other auditors in accordance with paragraph .08a, including the scope of the work expected to be performed by any second other auditors; and
- b. planned extent of supervision of the second other auditors in accordance with paragraph .06A.

Note: Depending on the extent of supervision of the other auditor, the lead auditor may find it necessary to communicate, or request that the other auditor communicate, the matters in paragraph .08 in writing (e.g., by issuing instructions to the other auditor). Regardless of the method of communication, the audit documentation of the lead auditor includes an appropriately detailed record of the communications with other auditors and any follow-up and disposition of matters communicated by the other auditors that meet any of the criteria in this paragraph.

FND See AS 2101.11-12.

FNE See AS 2110.64.

16 See paragraphs .08-.10 of AS 2105, *Consideration of Materiality in Planning and Performing an Audit*.

17 See AS 2810.10-.11.

<sup>41</sup>See, e.g., AS 1201.05 and .10, which establish requirements for the auditor's review of work performed by engagement team members. See also paragraph .18 of AS 1215, *Audit Documentation*, according to which audit documentation supporting the work performed by other auditors must be retained by or be accessible to the office of the firm issuing the auditor's report.

.09 [previously .11] The lead auditor should:

- a. obtain and review a written affirmation as to whether the other auditor has performed the work agreed with the lead auditor in accordance with paragraph .08, including affirming to the work being performed in accordance with applicable PCAOB standards; and if it has not, a description of the nature of, and explanation of the reasons for, the instances where the work was not performed as agreed, including (if applicable) a description of the alternative work performed; and
- b. review documentation related to the work performed by other auditors as referred to in paragraph .08d(2).  
[moved from paragraph .12]

Note: In multi-tiered audits, the first other auditor's written affirmation would cover its supervision of any second other auditors as discussed with the lead auditor in accordance with paragraph .08d(3), including, as applicable, review of its work. If the first other auditor is assisting the lead auditor in supervising the second other auditor, the lead auditor takes into account the first other auditor's review of the second other auditor's work in determining the extent of its own review, if any, of the second other auditor's work. [moved from paragraph .14]

Note: In multi-tiered audits, for purposes of complying with AS 1215.19 with respect to the work performed by a second other auditor, the lead auditor may request that the first other auditor both (i) obtain, review, and retain the audit documentation described in AS 1215.19 related to the second other auditor's work and (ii) incorporate information related to the second other auditor's work in the first other auditor's documentation that it provides to the lead auditor pursuant to AS 1215.19. [moved from paragraph .14]

.10 [previously .13] The lead auditor should determine, based on a review of the documentation made available by the other auditor (pursuant to paragraph .09), discussions with the other auditor, and other information obtained by the lead auditor during the audit, including whether:

- a. the other auditor has performed the work agreed with the lead auditor in accordance with paragraph .08, including the use of applicable PCAOB standards; and
- b. additional audit evidence should be obtained by the lead auditor or other auditors, for example, to address a previously unidentified risk of material misstatement or when sufficient appropriate audit evidence has not been obtained with respect to one or more locations or business units in response to the associated risks.<sup>18</sup>

<sup>18</sup> See AS 2810.35-.36.