

November 30, 2021

By email: comments@pcaobus.org

Office of the Secretary
PCAOB
1666 K Street, NW
Washington, DC 20006-2803

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

PCAOB 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

Dear Office of the Secretary:

Mazars USA LLP (“Mazars”) welcomes the opportunity to comment on PCAOB Release No. 2021-005 Rulemaking Docket Matter No. 042 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* (the “proposed standard”). Mazars appreciates the PCAOB’s work to enhance the quality of audit engagements through the revision of the existing PCAOB standards.

Currently, Mazars USA has over 100 partners and 800 professionals across the United States and is an independent member firm of the Mazars Group, an organization with over 1,100 partners and 26,000 professionals in over 90 countries around the world, and a member of Praxity, a global alliance of independent firms. As a member of an international network, we strive for continuous improvement by collaborating with our other member firms to set high standards for audit quality throughout the Mazars Group and tailoring these standards to meet the auditing and professional practice standards established by the Public Company Accounting Oversight Board as well as U.S. Generally Accepted Auditing Standards established by the American Institute of Certified Public Accountants and the International Auditing and Assurance Standards Board’s (IAASB) standards for auditing, assurance, and quality control.

Our views on the proposed standard is driven by our position in the U.S. marketplace as a medium sized public accounting firm servicing mostly small to mid-size public and private businesses in a variety of industries and as a member firm in a global network. As a member in our global network, we frequently act as group or component auditors and thus have a keen interest in standards impacting the relationship between lead auditors and other and referred-to auditors. We recognize the PCAOB’s extensive efforts related to addressing the topic of audit quality in the increasing circumstances where more than one audit firm or individual accountants may assist the lead auditor (also referred to as a group or shared audit). We agree that clarifying the roles and responsibilities and strengthening the relationship between lead auditors and other and referred-to auditors is key to overall audit quality in the performance of multiple audit firm audits. We find the PCAOB’s proposed standard, broadly consistent with the IAASB’s recent standard setting activities around Proposed International Standard on Auditing 600 (Revised), *Special Considerations—Audits of Group Financial Statements (including the Work of Components Auditors)*. The additional revisions proposed support conceptual consistency across standard setters allowing firms to build their audit methodology to meet compliance requirements more efficiently and promote quality in execution of audits involving multiple audit firms.

Generally, we agree with the proposed standard which includes clarification and enhancements to existing standards. Our comments on the specific questions posed follow:

Questions

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

Response: As more clients have global operations, lead auditors have been increasingly involving other auditors in audit engagements. In recent years, the frequency and quality of the communication between the lead auditors and other auditors has improved. We note that group audit instructions often include more detailed guidance for the other auditors to understand risk and lead auditor expectations around specific audit areas. More significantly, the use of technology, such as video conferencing, has led to more timely and effective supervision and review by lead auditors. The ability to have a discussion and share documents in real time is a significant improvement in the ability to supervise and review compared to the past when lead auditors relied primarily on phone discussions, formal deliverables or live visits, which often occurred toward the end of the engagement.

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?

Response: Increasingly, multinational companies are establishing shared service centers and centralizing information technology operations which often increases the need to use other auditors. Additionally, technological advances by issuers and auditors such as use of data analytics, document portals and video conferencing have, in some instances, allowed lead auditors to perform audit procedures on business units of an audit client where previously they may have relied on other auditors.

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?

Response: The definitions of “lead auditor” and “other auditor” are clear.

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?

Response: The proposed considerations regarding serving as a lead auditor are appropriate. However, the language used to refer to the portion of the company’s financial statements for which other auditors perform audit procedures is inconsistent and thus not clear. In AS 2101.06Aa, the language used is “...in relation to the financial statements of the company as a whole.” In AS 2101.06Ab, the language used is “...in comparison with the portions for which the other auditors perform audit procedures.” We believe that the language in AS 2101.06Ab is clearer and thus recommend conforming such language in AS 2101.06Aa.

Additionally, AS 2101.06Ac footnote 4B references to AS 1201.06. Given AS 1201.07 through AS 1201.15 address supervision of other auditors, we believe that footnote 4B should reference AS 1201.06 through AS 1201.15.

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?

Response: The proposed requirements relating to the lead auditor's responsibilities regarding other auditors' compliance with the independence and ethics requirements are appropriate.

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 challenges?

Response: The proposed amendments relating to the knowledge, skill, and ability of the other auditor, revised by this release are clear and appropriate. We believe that the proposed amendments provide intended scalability to assess the knowledge, skill and ability of the broad range of other auditors that may be used. We also agree with the requirement to obtain a written affirmation from the other auditor that their engagement team members possess the knowledge skill, and ability to perform their assigned tasks.

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?

Response: The proposed amendments relating to the supervision of the work of the other auditor are clear and appropriate. The focus of the standard on the lead auditor determining the necessity and extent of involvement in supervision, including potentially determining the nature, timing and extent of procedures performed by the other auditors provides scalability to allow the lead auditor to manage risk and accommodate for any issues noted related to the knowledge, skill, and ability of the other auditors.

8. In multi-tiered audits, are the proposed requirements for situations in which the lead auditor directs another 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?

Response: The requirements related to first other auditors who perform supervisory procedures over second other auditors is clear and appropriate.

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?

Response: The proposed requirements in audit planning are clear and appropriate.

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

Response: The modifications are appropriate and 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?

Response: The amendments proposed are clear. We would recommend considering expanding the standard to address situations where the investor has a different reporting period or where the accounting or auditing standards of the investee differ from those of the investor.

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?

Response: The economic analysis presented appears adequate for the purpose of assessing the changes proposed. We are not aware of other data sources or academic research that should be considered.

Overall, we support the proposed standard and believe it will result in higher quality group audits. Many of the changes to the proposed revisions presented in the 2017 supplemental request for comment make the standard more principles based and, in doing so, improve the scalability of the proposed standard, which leads to enhanced standards compliance. We applaud the PCAOB's thoughtful consideration of the comments to the 2017 supplemental request and appreciate the opportunity to comment.

We would be pleased to discuss our comments with you at your convenience.

Please direct any questions to:

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Very truly yours,


Mazars USA LLP