

**NOTICE:** This is an unofficial transcript of the portion of the Public Company Accounting Oversight Board's Standing Advisory Group meeting on May 24, 2017, that relates to *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 other topics discussed during the May 24-25, 2017, meeting are not included in this transcript excerpt. The Public Company Accounting Oversight Board does not certify the accuracy of this unofficial transcript, which may contain typographical or other errors or omissions. An archive of the webcast of the entire meeting can be found on the Public Company Accounting Oversight Board's website at: <https://pcaobus.org/News/Events/Pages/SAG-meeting-May-2017.aspx>.

PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

+ + + + +

STANDING ADVISORY GROUP

+ + + + +

MEETING

+ + + + +

WEDNESDAY  
MAY 24, 2017

+ + + + +

The Advisory Group met in Ballroom A, Washington Plaza Hotel, located at 10 Thomas Circle, Northwest, Washington, D.C., at 8:30 a.m., James R. Doty, Chairman, presiding.

PCAOB BOARD OF DIRECTORS

JAMES R. DOTY, Chairman  
LEWIS H. FERGUSON, Board Member  
JEANETTE M. FRANZEL, Board Member  
STEVEN B. HARRIS, Board Member

STANDING ADVISORY GROUP

MARTIN F. BAUMANN, PCAOB, Chief Auditor and Director of Professional Standards

JOAN C. AMBLE, President, JCA Consulting, LLC

PRAT BHATT, Senior Vice President, Corporate Controller, and Chief Accounting Officer, Cisco Systems, Inc.

J. ROBERT BROWN, JR., Lawrence W. Treece Professor of Corporate and Director, Corporate and Commercial Law Program, University of Denver Sturm College of Law

PETER C. CLAPMAN, Senior Advisor, CamberView Partners, LLC

LEONARD L. COMBS, U.S. Chief Auditor, PricewaterhouseCoopers LLP

CHARLES M. ELSON, Edgar S. Wollard, Jr., Chair of Corporate Governance, and Director, John L. Weinberg Center for Corporate Governance, University of Delaware

SYDNEY K. GARMONG, Partner in Charge, Regulatory Competency Center, Crowe Horwath LLP

KENNETH A. GOLDMAN, Chief Financial Officer, Yahoo, Inc.

L. JANE HAMBLIN, Former Chief Legal Counsel, State of Wisconsin Investment Board

ROBERT H. HERZ, Chief Executive Officer, Robert H. Herz LLC and Executive-in-Residence, Columbia Business School, Columbia University

PHILIP R. JOHNSON, Former Nonexecutive Director, Yorkshire Building Society

JEAN M. JOY, Director of Professional Practice and Director of Financial Institutions Practice, Wolf & Company, P.C.

DAVID A. KANE, Americas Vice Chair, Assurance Professional Practice, Ernst & Young LLP

W. ROBERT KNECHEL, Frederick E. Fisher Eminent Scholar in Accounting and Director, Center for International Research in Accounting and Auditing, University of Florida

SARA GROOTWASSINK LEWIS, Chief Executive Officer, Lewis Corporate Advisors, LLC

JON LUKOMNIK, Executive Director, Investor Responsibility Research Center Institute, and Managing Partner, Sinclair Capital, LLC

DOUGLAS L. MAINE, Limited Partner and Senior Advisor, Brown Brothers Harriman & Co.

MAUREEN F. McNICHOLS, Marriner S. Eccles Professor of  
Public and Private Management and Professor of  
Accounting, Stanford University  
ELIZABETH F. MOONEY, Vice President, The Capital Group  
Companies, Inc.  
LIZ D. MURRALL, Director, Stewardship and Reporting, The  
Investment Association  
KAREN K. NELSON, M.J. Neeley Professor of Accounting, Texas  
Christian University  
JEFFREY D. NUECHTERLEIN, Managing Partner, Nue Capital LLC  
ZACH OLEKSIUK, Americas Head, Corporate Governance and  
Responsible Investment, BlackRock  
JEREMY E. PERLER, Partner and Director of Research, Schilit  
Forensics  
SANDRA J. PETERS, Head of Financial Reporting Policy, CFA  
Institute  
BRANDON J. REES, Deputy Director, Office of Investment,  
AFL-CIO  
CHARLES V. SENATORE, Executive Vice President, Head of  
Regulatory Coordination and Strategy, Fidelity  
Investments  
DAVID SHAMMAI, Senior Governance Specialist, APG Assent  
Management  
DEBRA SMITH, Chief Operating Investment Officer, CalSTRS  
WENDY B. STEVENS, Partner, WeiserMazars LLP  
DAVID M. SULLIVAN, National Managing Partner - Quality &  
Professional Practice, Deloitte & Touche LLP  
JEFFREY L. TATE, Chief Audit Executive, The Dow Chemical  
Company  
SIR DAVID P. TWEEDIE, Chairman, International Valuation  
Standards Council  
JOHN W. WHITE, Partner, Corporate Department, Cravath,  
Swaine & Moore LLP

#### OBSERVERS

ANN DUGUID, Financial Industry Regulatory Authority  
MARC PANUCCI, Securities and Exchange Commission  
BOB DACEY, Government Accountability Office  
HARRISON GREENE, Federal Deposit Insurance Corporation  
MIKE SANTAY, Grant Thornton  
ARNOLD SCHILDER, International Accounting and Assurance  
Standards Board  
LARRY SMITH, Financial Accounting Standards Board

PCAOB STAFF

PAT McNAMEE, Deputy Chief Auditor

JENNIFER RAND, Deputy Division Director and Deputy Chief Auditor

JOY THURGOOD, Associate Chief Auditor

JESSICA WATTS, Associate Chief Auditor

KEITH WILSON, Deputy Chief Auditor

1

2

3

4

5

6

7

8 MS. MURRALL: Thank you, Marty. And if it's

9 okay, I would just like to go back to the standard

10 setting agenda and some of the points that you raised.

11 I very much appreciate the work that the PCAOB

12 has done to increase the transparency in the audit

13 reporting model and then in the audit engagement partner.

14 I'm here representing institutional investors.

15 They invest internationally, and we very much welcome

16 this harmonization internationally in transparency.

17 However, I do still remain concerned, and I've

18 expressed it before, about one of the requirements in the

19 supervision of auditors in that it appears to me that

20 you're still retaining this divided responsibility for

21 the audit in that my understanding is that is not

22 something that is currently done internationally. It's

1 certainly not done in the London market, which is an  
2 international market. Companies list there that are  
3 global.

4           But ultimately, the lead auditor has to take  
5 responsibility for that audit. And if so, they have to  
6 do additional procedures if they're not satisfied with  
7 the work of other auditors, et cetera, et cetera.

8           And I'm concerned that if you have divided  
9 responsibility, it could be perceived as a qualification  
10 or limitation of scope in some way. And I just wondered  
11 if you could expand on that.

12           MR. BAUMANN: Thanks, Liz. Good comment. There  
13 were some commenters on the proposal on supervision of  
14 global audits and other auditors who brought up that  
15 point besides you.

16           And I didn't list that as one of the major  
17 comments. And one of the reasons I didn't is I think the  
18 number of audits with divided responsibility, Keith, is  
19 in the neighborhood of maybe 50?

20           MR. WILSON: Yes, that's about right.

21           MR. BAUMANN: So about 50 audits where there is  
22 divided responsibility. It's a small item, but I take

1 your point. And we are reconsidering that issue with the  
2 Board as part of our re-deliberations.

3 I can't say how we'll come out on it. I will say  
4 I believe the Auditing Standards Board of the U.S.,  
5 contrary to the -- it normally follows the IAASB. The  
6 Auditing Standards Board establishes practices for non-  
7 public companies, and Mike Santay is sitting somewhere  
8 around here.

9 I think, although they largely follow the ISA for  
10 group audit area, they may have retained a divided  
11 responsibility in the United States. Is that fair, Mike?

12 MR. SANTAY: Yes, that's right, Marty. And I  
13 think we did talk a little bit about, you know, some of  
14 the folks that use our standards. For example, the  
15 government auditors that really kind of need that  
16 accommodation because of the different structures for  
17 government entities.

18 So that was one of the key points, I think, at  
19 the time of the group audits where we did converge, but  
20 we did differ on that one.

21 MR. BAUMANN: Good question. A good area for us  
22 to continue to reconsider as we deliberate. So thank you

1 for that point. Chuck Senatore.