



Paris La Defense, September 13, 2010

**Public Company Accounting Oversight Board**

Office of the Secretary

1666 K Street, N.W.

Washington, DC 20006, USA

**Attention: J. Gordon Seymour, Secretary, and the Members of the Board**

Re: PCAOB Release No. 2010-003 July 13, 2010 - PCAOB Rulemaking Docket Matter No. 028 - Proposed Auditing Standard Related to Confirmation and Related Amendment to PCAOB Standards

Dear Sirs,

Mazars is a unique integrated partnership with a global reach. It operates as one integrated international partnership in 56 countries with more than 12,500 professionals, led by more than 600 partners, with 16 additional countries where Mazars is present through correspondents and joint ventures (see Mazars 2009 annual report together with its more recent updates, its 2009 IFRS joint-audited consolidated financial statements, and all the annual reports published since 2005 on <http://www.annualreport.mazars.com/eng/>).

Mazars is one of the founding members of 'Praxity', an alliance of 109 firms operating in 72 countries with more than 24,500 professional, the world's largest alliance of independent accounting firms.

Mazars provides a complete range of audit, accountancy, tax, legal and advisory services, designed to create added-value. Mazars was founded with certain core values: Independence, Competence; Intellectual and Ethical Rigour and Integrity; Sense of Service and Responsibility; Continuity; Respect for Individuals and Diversity.

We are pleased to submit this comment letter in response to the invitation from the PCAOB to comment on its proposed auditing standard related to confirmation. Mazars is very supportive of the PCAOB's efforts to update its auditing standards related to confirmation.

Since the 1939 McKesson & Robbins case, audit confirmation has continued to play a pivotal role in the audit process as one of the means of gathering evidence. At the same time, the means of communication (fax, email, txt msg, etc) have dramatically changed due to technological advances. Thus, the need to dust off the auditing standard related to confirmation..

We respectfully submit our detailed comments below. We commend the Board for the transparency of its rule deliberation process and for considering the work of the IFAC IAASB.

**1. Are the definitions included in the proposed standard sufficiently clear and appropriate? If not, what changes should the Board make to the definitions? – Page 9**

Mazars believes that the definitions provided in the proposed standard are sufficiently clear and appropriate.

**2. Is the objective of the proposed standard clear and appropriate? If not, what changes should the Board make to the objective? – Page 9**

Mazars believes that the objective of the proposed standard as presently stated is sufficient and appropriate.

**3. What other matters, if any, should the objective include? – Page 9**

Mazars proposes that the objective include a rationale for “*obtaining relevant and reliable audit evidence*”.

**4. Is the description of "receivables that arise from credit sales, loans, or other transactions" sufficiently clear and appropriate? If not, what changes should the Board make? – Page 14**

Mazars believes that the description of "*receivables that arise from credit sales, loans, or other transactions*" as provided in this proposed standard, is sufficiently clear and appropriate.

**5. Is the requirement in the proposed standard to confirm cash and other relationships with financial institutions sufficiently clear and appropriate? If not, what changes should the Board make? – Page 15**

The requirement in the proposed standard to confirm cash and other relationships with financial institutions is sufficiently clear and appropriate.

**6. Does the proposed standard appropriately address the risk of material misstatement by requiring confirmation procedures in response to significant risks that relate to the relevant assertions that can be adequately addressed by confirmation procedures? If not, what changes should the Board make? – Page 18**

Mazars believes that the proposed standard appropriately addresses the risk of material misstatement by requiring confirmation procedures in response to significant risks that relate to the relevant assertions that can be adequately addressed by confirmation procedures.

**7. Should the proposed standard include additional requirements with regard to sending confirmation requests in response to significant risks? If so, what additional requirements should the Board include? - Page 18**

The proposed standard appropriately addresses the requirement for sending confirmation requests in response to significant risks.

**8. Is the description in the proposed standard of other risks sufficiently clear and appropriate? If not, what changes should the Board make? – Page 19**

The description in the proposed standard of other risks is sufficiently clear and appropriate.

**9. Are the requirements in the proposed standard for maintaining control over the confirmation process sufficiently clear and appropriate? If not, what changes should the Board make? – Page 22**

The requirements in the proposed standard for maintaining control over the confirmation process appear sufficiently clear and appropriate.

**10. Is the description with respect to the use of internal auditors in the confirmation process sufficiently clear and appropriate? If not, what changes should the Board make? – Page 22**

The description with respect to the use of internal auditors in the confirmation process appears sufficiently clear and appropriate.

**11. Are the factors for designing confirmation requests in the proposed standard sufficiently clear and appropriate? If not, what changes should the Board make? – Page 23**

The factors to be considered by auditors when designing confirmation requests in the proposed standard appear clear and appropriate.

However, Mazars would like to propose that in addition to the company's authorization to the confirming parties to respond to the auditor, the issue of which party bears the costs of processing the confirmation (the confirming party or its intermediary) be agreed upon upfront in order to avoid any misunderstandings.

**12. Are the requirements in the proposed standard regarding the use of negative confirmation requests sufficiently clear and appropriate? If not, how should the Board change these requirements? – Page 26**

Per Mazars, the requirements in the proposed standard regarding the use of negative confirmation requests are sufficiently clear and appropriate.

**13. Are the procedures the auditor should perform to determine the validity of the addresses on confirmation requests sufficiently clear and appropriate? If not, what changes should the Board make to the proposed procedures? – Page 27**

Per Mazars, the procedures the auditor should perform to determine the validity of the addresses on confirmation requests appear sufficiently clear and appropriate.

**14. Are the procedures the auditor should perform when he or she determines that a confirmation request does not include a valid address sufficiently clear and appropriate? If not, what changes should the Board make to the proposed procedures? – Page 27**

Per Mazars, the procedures the auditor should perform when he or she determines that a confirmation request does not include a valid address appear sufficiently clear and appropriate.

**15. Are the procedures the auditor should perform when management requests the auditor not to confirm certain accounts, balances, or other items sufficiently clear and appropriate? If not, what changes should the Board make to the proposed requirements? – Page 29**

Per Mazars, the procedures the auditor should perform when management requests the auditor not to confirm certain accounts, balances, or other items appear sufficiently clear and appropriate. However, Mazars proposes additionally that:

- a) The auditor also communicates the matter to the corporate legal counsel,
- b) This situation be considered and assessed during the immediate subsequent interim reviews or annual audits.

**16. Are there circumstances in which it would not be necessary for the auditor to perform alternative procedures for non-responses to positive confirmation requests? If so, what are those circumstances? – Page 32**

Mazars believes that there are no circumstances in which it would not be necessary for the auditor to perform alternative procedures for non-responses to positive confirmation requests.

**17. Are the additional procedures that are required when the auditor does not receive a confirmation response for the terms of a significant transaction or agreement appropriate? If not, what changes should the Board make? – Page 32**

Per Mazars, the additional procedures that are required when the auditor does not receive a confirmation response for the terms of a significant transaction or agreement are appropriate.

**18. Are there additional circumstances that make it necessary for the auditor to receive a confirmation response to a positive confirmation request to obtain sufficient appropriate audit evidence? If so, what are those circumstances? – Page 33**

The two circumstances described on pages 32 and 33 that make it necessary for the auditor to receive a confirmation response to a positive confirmation request to obtain sufficient appropriate audit evidence are the most pertinent and relevant ones.

**19. Is the requirement in the proposed standard for the auditor to investigate all exceptions in confirmation responses sufficiently clear and appropriate? If not, what changes should the Board make to the requirement? – Page 34**

Per Mazars, the requirement in the proposed standard for the auditor to investigate all exceptions in confirmation responses appears sufficiently clear and appropriate.

**20. Are the requirements in the proposed standard related to addressing the reliability of confirmation responses sufficiently clear and appropriate? If not, what changes should the Board make to those requirements? – Page 36**

Per Mazars, the requirements in the proposed standard related to addressing the reliability of confirmation responses are sufficiently clear and appropriate.

**21. Does the proposed standard include adequate requirements regarding electronic confirmation procedures? If not, what additional requirements should the Board include? – Page 40**

Per Mazars, the proposed standard includes adequate requirements regarding electronic confirmation procedures.

**22. Are there risks related to the use of an intermediary that the proposed standard has not adequately addressed? If so, what are those risks, and how should the standard address them? – Page 40**

Per Mazars, the proposed standard has adequately addressed the most relevant risks related to the use of an intermediary.

**23. The Board is interested in information about the services that an intermediary provides, specifically information about the responsibilities and obligations between the auditor and the intermediary and the intermediary and the confirming party – Page 40**

Per Mazars, this issue of intermediary relates for example to services organizations (AU sec 324) and to the use of specialists (AU sec 336). Both are service providers to confirming party and intermediaries between confirming party and auditors. The confirming party has delegated or outsourced to them the performance of certain of its activities. They have certain responsibilities and obligations vis-à-vis the confirming party. In the eyes of auditors, they must for sure be competent, independent, and objective.

**24. Are there risks related to the auditor's use of direct access that the proposed standard has not adequately addressed? If so, what are those risks, and how should the standard address them? – Page 40**

Per Mazars, there are potential risks related to the auditor's use of direct access that the proposed standard has not adequately address, such as IT security and reliability of such a direct access to client's data in the system of the confirming party.

**25. Should direct access be permitted as a confirmation response only if such response is received from a financial institution? Why or why not? – Page 40**

Per Mazars, the Board should not limit the use of direct access as a confirmation response to responses received from financial institutions only for the following reasons:

- a) It should be a matter of professional judgment,

- b) It is not appropriate to limit and cater to one industry (financial industry) whereas direct access may be applicable across the spectrum,
- c) Technology can evolve and change landscape rapidly.

**26. Are the requirements in the proposed standard related to disclaimers and restrictive language in confirmation responses sufficiently clear and appropriate? If not, what changes should the Board make? – Page 42**

The requirements in the proposed standard related to disclaimers and restrictive language in confirmation responses are not sufficiently clear.

The Board should provide a clear guidance with examples on how an auditor can assess the effect of disclaimers and restrictive language on the reliability of a confirmation response. The objective is clearly to ban any ‘toxic language’ from the response of the confirming party.

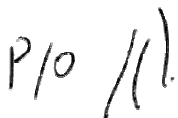
Thus the auditor will be equipped to determine when a disclaimer or restrictive language becomes a barrier, leading to considering a confirmation response as a non-response and performing appropriate alternative audit procedures.

**27. Are the requirements in the proposed standard related to evaluating the results of confirmation procedures sufficiently clear and appropriate? If not, what changes should the Board make? – Page 43**

Per Mazars, the requirements in the proposed standard related to evaluating the results of confirmation procedures appear sufficiently clear and appropriate. However, the risk-based principle of AS 5 should be added as a tenet of this proposed auditing standard.

We hope that our comments above will be useful and we remain available for further considerations. Please feel free to contact us again if you deem it necessary to discuss our submission further.

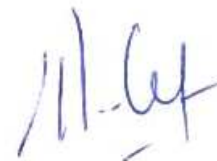
Yours sincerely,



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