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Via E-mail: comments@pcaobus.org

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

Re: Request for Public Comment: PCAOB Release No. 2013-002, Rulemaking Docket Matter No. 040, *Proposed Framework for Reorganization of PCAOB Auditing Standards and Related Amendments to PCAOB Auditing Standards and Rules*

Dear Office of the Secretary:

BDO USA, LLP is pleased to respond to the request for comments on the Public Company Accounting and Oversight Board's (the "PCAOB" or the "Board") *Proposed Framework for Reorganization of PCAOB Auditing Standards and Related Amendments to PCAOB Auditing Standards and Rules* ("Proposed Framework"). Overall, we are supportive of initiatives to enhance the usability of the standards, thereby resulting in a positive impact on audit quality. In that regard, we also support initiatives that would facilitate the comparability of PCAOB auditing standards with those of the Auditing Standards Board ("ASB") of the American Institute of Certified Public Accountants and the analogous standards of the International Auditing and Assurance Standards Board ("IAASB"), given the variations in the types of audits we and other audit firms perform.

We have concerns, however, that the Board's Proposed Framework will not achieve such enhancements, and moreover, will result in extra costs to audit firms and, ultimately, to Issuers. Accordingly, we have summarized below our recommendations for the Board's consideration that we believe would improve the comparability of the PCAOB Auditing Standards with those of other standard-setters, and result in auditing standards that are easier to navigate and understand by audit professionals who are not dedicated to performing audits of Issuers only and are therefore required to follow the three sets of different standards that are applicable to their portfolio of engagements.

Proposed Reorganization

We understand the objective of the Proposed Framework is to improve the existing structure. However, we believe that to fully realize the benefit of such a reorganization, the Board should align the organization of its standards as closely as possible with those of the IAASB and ASB. While we recognize that the Board considered and rejected the possibility of adopting the organizational structure of these other standard-setters, we believe that it is essential to the advancement of audit quality that the organization of PCAOB Auditing Standards and those of the ASB and IAASB should be closely aligned. To do otherwise has the



potential to detract from, rather than enhance, audit quality. Divergence in frameworks will likely confuse engagement teams that work on both Issuer and Non-Issuer audits, as well as audits that require compliance with IAASB standards. In attempting to mitigate this risk to audit quality, audit firms would need to devote potentially significant time and resources purely to the administrative tasks of tracking, and providing separate guidance on topics that to a great extent have significant overlap in their aims and execution with the guidance of the other standard setters. It is likely, therefore, that many firms will need to maintain completely different tools and guidance to be used for Issuer engagements, even though the vast majority of the content is substantially similar to Non-Issuer guidance, but organized differently. Firms that use software tools to document the execution of audits may also need to develop parallel tools that are capable of dealing with the different frameworks. The costs of such development could be substantial.

In our view, a preferable, closer alignment would be possible by:

- Revising the broad categories under which the standards are reorganized to align with the IAASB and ASB conventions. This approach would provide the basis for comparability among standards. We recognize that certain of the PCAOB auditing standards address audit topics, such as fraud, in a different manner from that of the IAASB or ASB, so some differences in the sequencing of the topics within the broad categories or subcategories will likely be necessary. Under this approach, PCAOB-specific matters could be preceded with a specific denotation to indicate the item as an additive provision of PCAOB standards. Accordingly, the broad categories would be:
 - General Principles and Responsibilities
 - Risk Assessment and Responses to Assessed Risk
 - Audit Evidence
 - Using the Work of Others
 - Audit Conclusions and Reporting
 - Special Considerations
 - Special Considerations Relating to Public Entities
- Realigning the subcategories and topics under each broad category in a similar manner to that of the IAASB and ASB. For example, Auditing Standard (AS) 1202, *Part of Audit Performed by Other Independent Auditors* and AS 1203, *Using the Work of the Specialist* would be moved from the "General Activities" subtopic to a new category, *Using the Work of Others*, consistent with the IAASB and ASB structure.

Further, to assist practitioners and others understand the different levels of authority of the guidance within the auditing standards between different standard-setters (for example, a required procedure within the PCAOB Auditing Standards may be application guidance in the IAASB or ASB standards) and the different placement of guidance between the standards (for example, the consideration of fraud is incorporated throughout the PCAOB Auditing Standards, whereas it is within a single standard in the IAASB and ASB standards), we recommend that, in tandem with the reorganization of the auditing standards, the PCAOB provide a cross-referencing or mapping tool as a supplement to the Proposed Framework.



This would support the auditor's application of the applicable auditing standards by allowing the auditor, or audit firms developing guidance and tools, to quickly identify the location of related standards in ASB and IAASB literature, as well as consider similarities and differences associated with topics or standards among different auditing standard setters. Such a supplement would also provide tangible benefits in explaining how audits are executed under different auditing standards.

Rescissions

We support rescinding those interim auditing standards that are no longer appropriate or outdated from the Proposed Framework as described in Section III.A of the Release, including any references to such standards, except for AU Sec. 532, *Restricting the Use of an Auditor's Report*. While we recognize that requirements for restricting the use of specific reports are covered in individual standards where a restriction is specifically required, we believe that the PCAOB Auditing Standards should continue to enable an auditor to restrict the use of the auditor's report or other written communications when, based on professional judgment, such a restriction is appropriate.

Scope of Proposed Reorganization

We support excluding consideration of the Board's other professional practice standards, such as the attestation, quality control, and ethics and independence standards, from the scope of the reorganization project at this time. Focusing efforts first on the auditing standards will enable the Board to more quickly achieve the stated goal of enhancing the usability of the PCAOB's Auditing Standards and help users navigate the standards more easily.

Further, we note that the non-authoritative audit-related guidance issued by the PCAOB, such as Staff Practice Alerts, Staff Questions and Answers, Other Staff Guidance and other such guidance, is excluded from the scope of the Board's reorganization project at this time. While we agree that it is appropriate to exclude such non-authoritative guidance from the project to codify the auditing standards, we suggest including references to this other guidance within the codification to assist auditors in considering the full complement of PCAOB guidance available on a particular topic. The importance of such consideration is emphasized in the release when it explains that, "PCAOB guidance provides auditors with insight into how the Board or staff (depending on who issues the guidance) understands and administers the auditing standards. While auditors are not required by a Board rule to consider PCAOB guidance, an auditor who fails to do so may lack important information and, as a result, runs the risk of violating the standard that the Board or staff has interpreted."

Implementation

We believe that, for the reasons described above, the costs that would be associated with the proposed reorganization of the PCAOB Auditing Standards would be unnecessarily burdensome unless the PCAOB auditing standards are aligned as closely as possible with ASB and IAASB standards, as we propose above. We also think this undue burden would



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disproportionately impact smaller audit firms. Further, if such alignment is not achieved, and a supplement is not provided explaining the differences between these sets of standards, we believe that the full benefit, which the PCAOB hopes to see in practice from the reorganization of the PCAOB auditing standards, will likely not materialize and could even have the unintended consequence of diluting audit quality.

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We appreciate your consideration of our comments and suggestions and would be pleased to discuss them with you at your convenience. Please direct any questions to Chris Smith, National Accounting & Auditing Professional Practice Leader at 310-557-8549 (chsmith@bdo.com) and Susan Lister, National Director of Auditing at 212-885-8375 (slister@bdo.com).

Very truly yours,

/s/ BDO USA, LLP

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