

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

June 26, 2013

PCAOB Rulemaking Docket Matter No. 40

Proposed Framework for Reorganization of PCAOB Auditing Standards and Related Amendments to PCAOB Auditing Standards and Rules

Dear Board Members and Staff:

WeiserMazars, LLP (WeiserMazars) is pleased to submit comments on the Public Company Accounting Oversight Board's (PCAOB or the Board) Proposed Framework for Reorganization of PCAOB Auditing Standards and Related Amendments to PCAOB Auditing Standards and Rules. WeiserMazars is an independent member firm of the Mazars Group and a member of Praxity, a global alliance of independent firms.

We applaud and support the Board's efforts to make the literature easier to navigate, by proposing a structure that is more aligned with the flow of the audit process than the existing framework. The current standards referencing methodology, meaning AS # 1-16, plus the interim standards with AU prefixes can be tedious to navigate, resulting in confusion, inefficiency and perhaps ineffective application.

In addition to our specific comments on the proposed structure, we have included a section on general observations that stem from proposals in PCAOB Rulemaking Docket Matter No. 40, as well as certain thoughts included within Chairman James R. Doty's and the other Board member's speeches on March 26, 2013 (the day this proposal was issued for public comment).¹

¹ <http://pcaobus.org/Rules/Rulemaking/Pages/Docket040.aspx>

Our comments are included below, as follows:

General Observations

- The PCAOB's stated vision² is to improve audit quality, reduce the risks of auditing failures in the United States public securities market and promote public trust in both the financial reporting process and auditing profession. There are many that believe that the objectives in the PCAOB's stated vision would be compromised if two completely separate sets of auditing standards continue to exist. From a public accounting firm's perspective, to improve audit quality and reduce the risk of audit failures it may be more effective in applying with one framework for auditing standards. Applying and maintaining two sets of auditing guidance (one for issuers and one for non-issuers), along with our applicable firm interpretations, is costly and creates a significant unnecessary burden. Furthermore, professionals are challenged with "standards overload" from a U.S. GAAP perspective.
- We believe that deleting the reference to "interim standards" will eliminate confusion as to what "interim" is intended to mean.
- In response to Mr. Lewis H. Ferguson's comment in his speech on March 26, 2013³ on whether the continued use of the Financial Accounting Standards Board (FASB) superseded references, as a result of the FASB Accounting Standards Codification™ (Codification), may be a source of problems or confusion; we believe that retaining references to superseded literature of the FASB, or any former standard setter that was part of the GAAP Hierarchy should be removed. From the perspective of the Codification this creates a potential risk of misapplying what "used to be" GAAP; this superseded standard is now subject to change through amendments to the Codification section where the particular piece of literature is codified. Retaining the former superseded references seems to defeat the purpose and objectives of the FASB Codification, one of which was to help users locate all necessary and relevant literature.
- We propose the Board further consider the title description of each topic outlined in Appendix 1, "Proposed Framework for Reorganization of PCAOB Auditing Standards". We believe clear descriptions will help users navigate to the literature in a more efficient manner, in both an electronic and hard copy version but is critical when searching for key words in an electronic version. We believe clear descriptions would further achieve the objective of the Board, to make the framework easier to understand and to enable information to be easily retrievable in electronic and hard copy versions.

² PCAOB Mission, Structure & History, <http://pcaobus.org/About/History/Pages/default.aspx>

³ http://pcaobus.org/News/Speech/Pages/03262013_FergusonStatement.aspx

Specific Comments on the Proposed Framework

1. Under Topic 1000 **“General Principles and Responsibilities”**, we believe it would be more appropriate to include the guidance in Section 1011, *“Independence”* before Section 1001, *“Responsibilities and Functions of the Independent Auditor”*. Section 1011 provides the basis for determining whether an auditor is independent, and therefore should precede the sections related to the Independent auditor which include Sections 1001 *“Responsibilities and Functions of the Independent Auditor”* and 1010 *“Training and Proficiency of the Independent Auditor”*.
2. Under Topic 1200, **“General Activities”**, we believe Section 1202, *“Part of the Audit Performed by Other Independent Auditors”*, and Section 1203, *“Using the Work of a Specialist”*, would be more appropriately classified under Topic 2600, **“Special Topics”**. We believe the guidance in Sections 1202 and 1203 are not general activities to be considered in every engagement, but rather event driven circumstances. If you agree with this suggestion, we believe it is appropriate to retain the order of the remaining Sections in 1200, *“General Activities”*.
3. Under Topic 2200, **“Audit Procedures in Response to Risks-Nature, Timing and Extent”**, we recommend that Section 2204, *“Audit Sampling”* be moved before Section 2203, *“The Confirmation Process”*. Audit sampling is frequently used throughout an audit engagement and is not related solely to the selection of confirmations. Although, audit-sampling techniques are often used to determine the number of confirmations sent to third parties; therefore, to have the audit sampling guidance precede the confirmation process more accurately presents the flow of the audit process.
4. We recommend that Topic 2300, **“Auditing Internal Control Over Financial Reporting”** be moved to follow Section 2103, *“Identifying and Assessing Risks of Material Misstatement”*, because for an integrated audit, testing internal control and determining operating effectiveness of controls factors *into the auditor’s risk assessment and determining the nature, timing, and extent of audit procedures to be performed*.
5. Section 2401, *“Consideration of Fraud in a Financial Statement Audit”*, is included in the grouping *“Audit Procedures”* sections of the proposed framework. We believe that it would be more appropriate to include this section in the grouping *“General Auditing Standards”* sections. We believe, as does the PCAOB, that the consideration of fraud should be an ongoing activity throughout the audit process; therefore, we believe it should be considered more than a procedure for *“Specific Aspects of the Audit”*. Alternatively, if not reclassified to General Auditing Standards, at a minimum include in Topic 2100, **“Audit Planning and Risk Assessment”**. Each client has specific risks that an auditor considers during the planning phase when assessing risks of material misstatement. The specific fraud risk factors applicable to

each client can result in modifications to the nature, timing, and extent of planned audit procedures.

6. Sections 2804, *"The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles"*, and 2805, *"Evaluating Consistency of Financial Statements"* is being proposed to be included in Topic 2800, **"Concluding Auditing Procedures"**. We believe it would be more appropriate to include Section 2804 within Topic 1000 **"General Principles and Responsibilities"**, so that the meaning of this phrase is defined early on in the new proposed framework. In AU Section 110 of the PCAOB's Interim standards, *"Responsibilities and Functions of the Independent Auditor"*, paragraph .01 states:

"The objective of the ordinary audit of financial statements by the independent auditor is the expression of an opinion on *the fairness with which they present*, in all material respects, financial position, results of operations, and its cash flows in conformity with generally accepted accounting principles."

In addition, the reason for proposing Section 2805 to be included in Topic 1000 is that the requirements of this standard should be considered throughout the audit, as opposed to only at the conclusion of audit procedures.

Additionally, we would expect that this section would cover other applicable financial reporting frameworks.

7. With respect to audits of **Emerging Growth Companies (EGC's)** we are not aware of any considerations relating to efficiency, competition, and capital formation or costs or other considerations that the Board should consider.
8. With respect to audits of **Brokers and Dealers**, we have specifically considered it at this time. However, the codification of the existing PCAOB auditing standards should be the priority before the consideration of any industry specific supplements.

We appreciate the opportunity to express our views on these important topics. We would be pleased to discuss our comments or answer any questions that the PCAOB staff or the Board may have. To do so, please contact Denise Moritz (646-225-5913), or Brian Jones (646-435-1583) at your convenience and we will be happy to assist you.

Sincerely,



WeiserMazars LLP