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By Email: comments@pcaobus.org

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

Re: PCAOB Release No. 2023-001 – Proposed Auditing Standard – General Responsibilities of the Auditor in Conducting an Audit and Proposed Amendments to PCAOB Standards; PCAOB Rulemaking Docket Matter No. 049

Dear Office of the Secretary:

Mazars USA LLP ("Mazars USA") welcomes the opportunity to comment on the Public Company Accounting Oversight Board's (PCAOB or the Board) proposed audit standard regarding the auditor's general responsibilities and related proposed amendments (collectively "proposed standard") and related amendments. Mazars USA appreciates the PCAOB's work to enhance the quality of audit engagements through the revision of existing PCAOB audit standards.

Mazars USA has over 100 partners and 900 professionals across the United States and is an independent member firm of the Mazars Group, an organization with over 1,200 partners and 30,000 professionals in over 95 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. Mazars USA has a unique perspective that may differ from our international counterparts due to the U.S. regulatory and litigation environment and variations in our client population.

Our view 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. We are fully committed to the highest levels of audit quality in the execution of our audits and appreciate the efforts the PCAOB invested in the detailed proposal.

We support the Board's modernization of the foundational standards through the proposed AS 1000 and related amendments with the intent not to impose new requirements on auditors or significantly change the existing requirements of the PCAOB auditing standards. We understand and agree with the objectives of the proposed standard and related amendments to streamline and clarify general principles and responsibilities of auditors and provide a more logical presentation to enhance useability by making them easier to read, understand, and apply. However, we believe that certain aspects of the proposed standard expand the auditor's responsibilities, reduce clarity, and may create confusion for investors and other stakeholders. The recurring themes that we express in many of our responses to the questions in the following section center around our belief that it is in the best interests of investors and other stakeholders for the auditing standards to be clear regarding the responsibilities of the auditor, the level of assurance provided, and the limitations of the auditor's report.

We have not responded to each question asked in the proposal. Rather, we have concentrated our comments on the areas for which we have significant concerns related to implied expansion of the auditor's responsibilities, including extension of management responsibilities to that of the auditor, and the related lack of clarity that may create unintended confusion amongst stakeholders regarding the responsibilities of the auditor and the assurance provided by the auditor's report.

Questions

Q1 Are the general principles and responsibilities described in the proposal appropriate for audits performed under PCAOB standards? Are there additional principles or responsibilities that are fundamental to the conduct of an audit under PCAOB standards that merit inclusion in the proposed standard and amendments? If so, what are they and how should they be addressed?

Response:
We believe that the general principles and responsibilities of auditors related to reasonable assurance, due professional care, professional skepticism, independence, competence, and professional judgement are all appropriate and are the foundation for performing quality audits under PCAOB standards. We agree that the auditor has a fundamental role in serving the public interest within the financial reporting landscape; however, the language used in the proposed AS 1000.01 may cause confusion about the role and responsibilities of auditors by inappropriately implying that auditors have a fiduciary duty to investors and removing the concept of materiality in the context of the auditor's obligation to provide an objective and independent opinion on whether a company's financial statements are presented fairly.

We therefore ask the Board to consider revising paragraph .01 to remove language related to the auditor having a fundamental obligation to protect investors and adding "in all material aspects" after "presented fairly" in the second sentence of paragraph .01 to be consistent with language in other extant standards.

No additional principles or responsibilities fundamental to the conduct of an audit under PCAOB standards merit inclusion in the proposed standard and amendments.

Q6 Are the proposed requirements related to the auditor's competence clear and comprehensive? If not, why not?

Response:
We agree with the proposed requirements related to auditor competence and believe it is appropriate for such requirements to apply to the collective engagement team, including any specialists used on an audit. We recognize the importance and would expect an auditor to be proficient in the industry in which the issuer operates. This is usually the result of the partner having the relevant industry experience, but we believe it could also be the result of the other senior members of the engagement team or others within the firm with such industry experience providing support to the engagement partner.

We have concerns that the requirements as described in proposed AS 1000.07 and the example used in the release are not entirely clear. The text may imply that an engagement team is expected to be an expert in the industry in which the issuer operates and that an audit led by a partner without relevant industry expertise or knowledge, even with the assistance of other engagement team members or others in the firm with relevant industry expertise or knowledge, may not have the competence to perform the audit of the issuer.

As such, we ask the Board to consider making revisions to the language in proposed AS 1000 paragraph .07 to be clear that the competence requirements apply to the auditor and any specialists used in the audit, collectively, and that competence to conduct the audit in accordance with applicable professional and legal requirements includes "sufficient knowledge" of SEC rules and regulations relevant to the company and the related industry or industries in which the company operates.

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Q7 Are the proposed requirements and related descriptions of the general principles (i.e., reasonable assurance, due professional care, professional skepticism, and professional judgment), clear and comprehensive? If not, why not?

Response:
We believe that the proposed removal of certain language from the extant standards related to reasonable assurance, due professional care, and the distinction of responsibilities of the auditor and management may reduce the level of transparency regarding the auditor's responsibilities and the level of assurance provided by and limitations of an auditor's report. The auditing standards contain technical and complex concepts, and the elimination of certain language in the proposed standard eliminates valuable context regarding the meaning of the general principles and may cause some confusion.

Reasonable Assurance:
We support the Board's proposal to retain the concept of reasonable assurance from AS 1015 as a high level of assurance. However, we are concerned that removal of certain language from extant AS 1015 related to the inherent limitations of an audit reduces transparency and may result in inappropriate and unrealistic expectations of the auditor by investors and other stakeholders. The language in extant AS 1015.10 to .13 provides investors with important relevant context regarding the expectations of the auditor and the limitations of an auditor's report, including that the auditor is not an insurer and the auditor's report does not constitute a guarantee. This language is consistent with the concepts outlined in ISA 200. As such, we ask that the Board consider retaining the paragraphs from extant AS 1015.10 to .13 in the final standard.

Due Professional Care:
We believe the Board's proposal to delete paragraph .03 from extant AS 1015 as part of the consolidation into the proposed AS 1000 will result in reduced transparency related to the potential limitations of the auditor's report and may unintentionally change the meaning of due professional care. This could in turn result in unreasonable expectations of the auditor or potentially increase the level of responsibility beyond performing the audit with integrity. As such, we ask the Board to retain the reference to "Cooley on Torts" contained in AS 1015.03 in the final standard or include revisions to the proposed AS 1000.09 to incorporate the relevant concepts and limitations related to due professional care as noted in "Cooley on Torts".

Distinction Between the Responsibilities of the Auditor and Management:
We believe it is of utmost importance for investors and other stakeholders to understand the distinction between the responsibilities of the auditor and management. The language included in extant AS 1001.02 and .03 provide important context to users of the financial statements regarding that distinction between the financial reporting roles of management and those of the auditor, which we believe are important to retain in the final standard. As such, we recommend the Board retain paragraphs .02 and .03 of AS 1001 related to the distinction between the responsibilities of the auditor and management in the final standard.

Professional Skepticism:
We believe the extension of professional skepticism in proposed AS 1000.10 from the critical assessment of "audit evidence" as required in extant AS 1015 to a critical assessment of "information related to the audit" is overly broad. During the course of an audit, the auditor comes across a significant amount of information related to the audit, not all of which would be relevant to the audit itself. Without any specificity related to the Board's intended meaning of "information related to the audit", it is unclear what the actual requirement for the auditor is in the proposed standard. Further, AS 1105 provides a framework for the auditor to use to critically assess audit evidence, but the proposed AS 1000.10 and .11 do not provide a framework for the auditor to use to critically assess information related to the audit beyond that of audit evidence. As such, we ask that the Board consider revising proposed AS 1000.10 to revert back to the requirement of extant AS 1015 for the auditor to critically assess "audit evidence."

We agree with the Board's example in the release text that it is important for the auditor to exercise professional skepticism when preparing the Form AP, including evaluating the information used to prepare the Form AP. As such, we ask that the Board consider adding to proposed AS 1000.11 a requirement that the auditor critically assess information obtained and used in the preparation of the Form AP.

We agree that an auditor may be susceptible to bias; however, we have concerns regarding the introduction of a requirement to consider auditor bias in proposed AS 1000.11, as this may create a burden on the auditor to document their consideration of every possible way the auditor's judgment may have been impacted by bias and how each consideration was resolved. Further, we believe the requirements in AS 1105 already inherently encompass consideration of auditor bias in the auditor's requirements related to obtaining sufficient and appropriate audit evidence. As such, we ask that the Board consider revising proposed AS 1000.11e to remove the requirement to consider the potential bias of the auditor.

Q9 Is the proposed requirement for the auditor to take into account relevant guidance such as PCAOB auditing interpretations, Board-issued guidance, and releases accompanying the standards, amendments, and rules of the PCAOB appropriate? If not, why not?

Response:
We believe that relevant PCAOB guidance including PCAOB auditing interpretations, Board-issued guidance, and releases accompanying the standards, amendments, and rules of the PCAOB contain useful information for auditors to refer to when applying the requirements of PCAOB auditing standards. However, relevant PCAOB guidance is not currently in a practical format for auditors to easily locate and distinguish between current and superseded guidance and interpretations, which we believe will lead to inconsistent application of relevant PCAOB guidance amongst auditors. Further, the language in the proposed standard does not state that the auditor should take into account only the relevant PCAOB guidance in interpretations, guidance and releases accompanying the final standards and rules of the PCAOB, which may also lead to inconsistent application of PCAOB guidance.

We recommend that the Board consider accumulating and codifying relevant PCAOB auditing interpretations, Board-issued guidance, and releases that accompany the final standards to ensure consistent application of relevant guidance by auditors. In addition, we ask that the Board consider clarifying what is encompassed within "Board-issued guidance" as the PCAOB website currently does not include any category of guidance with that description. We ask the Board to consider revising the proposed requirement in AS 1000.15 requiring the auditor to take into account only the relevant guidance accompanying the final standards and rules of the Board to avoid the auditor potentially confusing or misapplying guidance that has been progressively released.

Q10 Are the proposed amendments to clarify the meaning of "present fairly" appropriate? If not, why not?

Response:
We note in the release text that the Board believes the auditor's existing obligation regarding the fairness of the financial statements extends beyond compliance with the applicable accounting framework. We do not agree that the auditor has an existing responsibility under the auditing standards to evaluate the fairness of financial statements beyond the relevant financial reporting framework. As noted in AS 3101, the auditor's responsibility is to evaluate whether the financial statements "present fairly, in all material respects, the financial position of the company…and the results of its operations and its cash flows…in conformity with the applicable accounting framework."

In addition, we do not believe it is appropriate for the auditor be make an evaluation of fairness beyond the evaluation of whether the financial statements are presented fairly in conformity with the applicable financial reporting framework. This conclusion is supported by language in AS 2815.03, which states that the auditor's judgment regarding the fairness of the financial statements should be applied within the framework of generally accepted accounting principles and that absent such a framework, the auditor would not have a uniform standard for judging fairness.

We are concerned that the language used in proposed AS 2810.30, 17A and .30A to clarify the meaning of "present fairly" will unintentionally expand the auditor's existing responsibilities by imposing a requirement for the auditor to make a judgment concerning the fairness of the financial statements beyond the applicable accounting framework and potentially judgements around disclosures not required under the applicable financial reporting framework. Proposed AS 2810.30 FN17A may imply that the auditor is subject to the same legal responsibility as management under SEC Rule 12b-20 17, C.F.R. § 240.12b-20. While we recognize the importance of this rule as it applies to the requirement that management disclose necessary information for the financial statements not to be misleading, we do not believe it is appropriate for management's legal requirements under this rule to be applied to the auditor.

As such, we ask that the Board consider retaining the language from extant AS 2815.03 and .04 in the final standard.

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Q13 Is the proposed amendment to accelerate the documentation completion date by reducing the maximum period of time to assemble a complete and final set of audit documentation for retention from 45 days to 14 days from the report release date appropriate? If not, why not?

Response:
We acknowledge that the proposed amendment to accelerate the documentation completion date by reducing the maximum period of time to assemble a complete and final set of audit documentation for retention from 45 days to 14 days from report release date may enhance audit quality. However, as acknowledged in the PCAOB's economic analysis, this could be challenging for smaller firms, which will require more time to adjust methodology, roll out new policies, adopt new staff resourcing practices, and change behaviors. Due to capacity restraints for SEC staff at many smaller firms, the proposed acceleration could also have an initial negative impact on audit quality as a result of accelerating the archiving process into the period when many SEC practice audit professionals are needed to roll on to other issuer audit engagements. The flexibility of a longer archive period would allow audit professionals to focus on audit procedures that contribute to audit quality. For example, a longer archive period would allow audit professionals rolling onto a new engagement to concentrate on robust risk assessment procedures without having to simultaneously work on finalizing the previous audit engagement files for archiving.

As such, we recommend that the Board consider a phased-in approach over a 2-year period after effective date to accelerate the documentation completion from the current 45 days to 14 days to allow firms sufficient time to implement necessary changes in methodology, policies and practices, behaviors and technology without causing unintended negative impacts on audit quality.

Q15 Does the size of a firm or type of engagement affect the time necessary to assemble a complete and final set of audit documentation? If so, please describe which sizes of firms or types of engagements may need additional time and what period of time should be required?

Response:
Yes, we believe the size of a firm may affect the time necessary to assemble a complete and final set of audit documentation. Smaller firms will have greater challenges to adjust its methodology, roll out new policies, adopt new staffing resourcing practices and change behaviors to move to a significantly reduced maximum period of time to assemble a final set of audit documentation for retention. This is due to many smaller firms not having an automated system in place to archive audit documentation and often having resource constraints within the SEC practice. As noted in our response to question 13, moving directly from a 45-day archiving requirement to 14 days may have unintended negative consequences on audit quality for smaller firms. As such, we recommend that the Board consider a phased in approach over a 2-year period after effective date to accelerate the documentation completion from the current 45 days to 14 days to allow firms sufficient time to implement necessary changes without causing unintended negative impacts on audit quality.

Q25 Would requiring compliance on June 30 the year after approval by the SEC present challenges for auditors? If so, what are those challenges, and how should they be addressed?

Response:
It is important for firms to have sufficient time to adopt Proposed AS 1000 and related amendments as the proposed standard. We ask that the effective date for the standard after approval by the SEC to be tied to audits of fiscal years. Requiring compliance June 30th of the year following approval by the SEC would present challenges for firms to implement new or revised quality control policies and practices to comply with the requirements of the final standard in as little as six months, which would present additional challenges since some audits would already be in process.

As such, we recommend that the final standard be effective for audits of financial statements for periods beginning on or after December 15 of the year following final approval by the SEC. This would allow sufficient time for firms adjust existing quality control policies and practices to comply with the requirements of the new standard.

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Overall, we support the proposed auditing standard and amendments and believe it will contribute to higher quality audits. We applaud the PCAOB's thoughtful consideration of the foundational standards 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,

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