

February 28, 2012

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

Re: Request for Public Comment: Proposed Auditing Standard on Communications with Audit Committees; and Related Amendments to Certain PCAOB Auditing Standards and Transitional Amendments to AU Sec. 380; PCAOB Rulemaking Docket Matter No. 030

Dear Office of the Secretary:

WeiserMazars LLP (“WeiserMazars”) is an independent U.S. member firm of the Mazars Group, one of the world’s most prominent international accounting, audit, tax and advisory services organizations with access to over 14,000 professionals in more than sixty countries on six continents. In the US, we are headquartered in New York City, with additional offices in Long Island, New York, New Jersey, Pennsylvania and Chicago, Illinois. We have a staff of more than 700 professionals working with clients in many industry niches including real estate, automotive, media, apparel, manufacturing, distribution, financial services, health care services, entertainment, not-for-profit, and textile rental, among others. WeiserMazars has built a significant practice in servicing many of the leading private equity groups and various public companies active across these industries. The firm also has prominent international tax and forensic accounting practices.

WeiserMazars appreciates the opportunity to respond to the Public Company Accounting Oversight Board (United States) (PCAOB or the Board) on its release, Communications with Audit Committees and Related Amendments to Certain PCAOB Auditing Standards and Transitional Amendments to AU Sec. 380 (the Proposed Standard). We are pleased to submit for the Board’s consideration our observations on the Proposed Standard.

**Communications with the audit committees:**

The proposed standard includes various required communication matters. However, the Board should consider including the following additional matters as part of the auditors communication to the audit committee:

- AU Sec. 315, “Communications Between Predecessor and Successor Auditors”, requires successor auditors to inquire about management integrity; disagreements with management about accounting principles, auditing procedures, or other similarly significant matters, communications to the audit committee, or in lieu of an audit committee or those charged with governance (i.e. Board of Directors) about fraud, illegal acts by clients, and internal control

matters; and the predecessor auditor's understanding of the reasons for the change of auditors. Depending on the circumstances, the successor may consider it necessary to review the predecessor auditors' working papers. The results of the communication with the predecessor auditors and review their working papers should be part of the successor auditors' communication with the audit committee.

- Changes in accounting systems as well as changes in responsibilities of key personnel directly impacts the financial reporting process and very often warrants changes in the audit plan.
- Impact of significant changes in the economy (for example the change in credit rating of the company) which will have a significant impact on the financial statements.

#### **Engagement letter and appointment of auditor:**

The requirements with regard to engagement letters in the proposed standard are clear.

Audit committees have oversight responsibility for the audit on behalf of investors. Therefore, appointment of the auditor should be performed by the audit committee. This will add independence and greater oversight of the auditor and the audit process. The appointment should be in writing and signed by the audit committee or a person authorized by the audit committee to avoid any ambiguity in terms of the engagement. An auditor expects management to assume certain responsibilities and communicate these responsibilities through the engagement letter. Based on the foregoing, it would be appropriate that an audit engagement letter be signed by the audit committee as well as management.

In addition, the engagement letter should include a paragraph on audit committee responsibilities apart from management responsibilities which will facilitate two-way communication between the auditor and the audit committee.

#### **Significant unusual transactions:**

AU Sec. 316, "Consideration of Fraud in a Financial Statement Audit", provides that the auditor should gain an understanding of the business rationale for significant unusual transactions and whether that rationale (or the lack thereof) suggests that the transactions may have been entered into to engage in fraudulent financial reporting or conceal misappropriation of assets. In understanding the business rationale for transactions, the auditor should consider whether management has discussed the nature of and accounting for such transactions with the audit committee or board of directors. Based on this, communication of significant unusual transactions in the proposed standard is appropriate if these transactions posed a significant risk and are likely to cause a material misstatement in the financial statements. However, requiring an auditor to communicate the auditor's understanding of the business rationale for such transactions seems to

stretch the auditor's basic responsibilities, and amounts to putting the auditor in the place of management. The audit committee should seek such information regarding the business rationale for significant unusual transactions directly from management.

**Other independent public accounting firms or other persons who are not employed by the auditor that are involved in the audit (Paragraph 10 (d) of Appendix 1 of the Proposed Standard):**

The responsibility of communication of involvement of other independent public accounting firms or other persons who are not employed by auditors should rest with the audit committee. First, such firms or persons are appointed by the audit committee as indicated in our suggestions earlier and secondly, the other firms or persons are required to agree to the terms of the engagement with the audit committee. In other words, the audit committee is in a position to know the facts of involvement of the other independent accounting firms before the auditors are aware of it.

**The basis for the auditor's determination that he or she can serve as principal auditor if significant parts of the audit will be performed by other auditors, (Paragraph 10 (e) of the Appendix 1 of the Proposed Standard):**

The basis for the auditor's determination that he or she can serve as principal auditor should be communicated during planning, especially if the determination under AU Sec.543, "Part of Audit Performed by Other Independent Auditors", is both qualitative and quantitative. The audit committee should be responsible for evaluating an auditor's ability to serve as principal auditor during the approval process in the case of the use of other auditors.

**Critical accounting policies and practices, (Paragraph 12 (b) (2) of Appendix 1 of the Proposed Standard):**

An auditor should not be required to comment on the impact of current and future anticipated events on critical policies and practices. This requirement would put the auditor in the place of management, which would appear to be a conflict of interest. In fact, the auditor should refrain from commenting on such matters. This is clearly a management responsibility.

**Comments regarding the audits of brokers and dealers:**

- The auditors communication to the audit committee included in the Proposed Standard should only be applicable to clearing brokers and dealers and not introducing brokers and dealers. In addition, clearing brokers and dealer should be subject to the Proposed Standards and not the interim standard, AU Sec. 380.

- Management should be required to review the computations of Net Capital and Aggregate Indebtedness as well as the SIPC General Assessment with the audit committee. The auditors should be present for this presentation and comment as necessary. The auditors should communicate any issues and/or changes to the computations based on the audit work performed. These computations are specific to brokers and dealers and are critical aspects of the business.

We would be pleased to respond to any questions the Board or its staff may have about these comments. The Board or its staff may direct any questions on our observations to either David Rubenstein, Partner 212.375.6822, Wendy Stevens, Partner-Technique & Innovation 212.375.6699, or Mitesh Jain, Senior Manager 646.435.1611.

Sincerely,



WeiserMazars, LLP