

July 29, 2016

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

Via e-mail: comments@pcaobus.org

Re: PCAOB Release No. 2016-002, Rulemaking Docket Matter No. 042, Proposed Amendments Relating to the Supervision of Audits Involving Other Auditors and Proposed Auditing Standard – Dividing Responsibility for the Audit with Another Accounting Firm

Dear Office of the Secretary:

We appreciate the opportunity to share our views on the Public Company Oversight Board's (PCAOB or the Board) Release No. 2016-02, *Proposed Amendments Relating to the Supervision of Audits Involving Other Auditors and Proposed Auditing Standard – Dividing Responsibility for the Audit with Another Accounting Firm* (the Proposal).

Moss Adams LLP is one of the 15 largest accounting and consulting firms in the United States. Our staff of more than 2,000 includes approximately 260 partners. Founded in 1913, Moss Adams LLP serves as the independent registered public accounting firm for approximately 90 issuers, including several with multinational operations.

We are supportive of the Board's objective of improving audit quality as it relates to the use of other auditors on public company audits, particularly as the business environment of many public companies becomes increasingly global. The ability of a lead auditor to utilize other audit firms is often essential to the lead auditor's ability to effectively execute complex, multi-location audits. We agree that many aspects of the Proposal will serve to enhance audit quality and consistency in the profession, however, we also believe there are elements of the Proposal that warrant further consideration by the Board. Our more detailed views on these items are as follows:

Definition of the Lead Auditor

The proposed amendments to AS 2101 Appendix A define the lead auditor as, among other criteria, the partners, principals, shareholders, or employees of the registered public accounting firm issuing the

auditor's report (AS 2101.A4b). We are concerned that limiting the definition of the lead auditor exclusively to individuals employed by the firm issuing the auditor's report is inappropriate and may result in undue complexity. There are a variety of circumstances in which it may be most effective for the firm issuing the auditor's report to utilize individual professional staff employed by other firms by directly supervising those engagement team members (as provided under existing AS 1201). In such situations, we believe it is often most appropriate to view the individuals employed by other firms as extensions of the firm issuing the report, as there may be no substantive difference between individuals employed by other firms and individuals employed by the issuing firm.

It is our view that the employee/employer relationship of individual auditors should not necessarily be a determinative factor in the definition of the lead auditor. We recommend the Board expand the definition of the lead auditor to include engagement team members who are directly supervised by the firm issuing the audit report.

Lead Auditor Participation Sufficiency

The proposed amendments in AS 2101 Appendix B state that the engagement partner should determine whether the participation of his or her firm is sufficient for the firm to serve as lead auditor by considering the portion of the company's financial statements for which the engagement partner's firm performs procedures (AS 2101.B2). We do not believe the proposed concept of the portion of the financial statements for which the "engagement partner's firm performs procedures" is adequately defined. As noted above, there are numerous circumstances when individuals employed by other audit firms perform work under the direct supervision of the firm issuing the audit report. It is currently unclear as to whether portions of an audit performed under the direct supervision of a firm would qualify as procedures performed by that firm. It is our view that the firm issuing the audit report should be able to take credit for the portion performed by other auditors under its direct supervision in determining whether the firm is able to carry out the responsibilities of a lead auditor.

In conjunction with our above recommendation on the proposed definition of the lead auditor, we urge the Board to modify the proposed amendments to allow the engagement partner to take into account the risks of material misstatement associated with the portions of the financial statements audited under his or her direct supervision that are performed by other auditors in determining whether the engagement partner's firm can carry out the responsibilities of a lead auditor in proposed AS 2101.B2.

Other Auditors' Compliance with Independence and Ethics

The proposed amendments in AS 2101 Appendix B establish the lead auditor's responsibility for ensuring other auditors' compliance with independence and ethics requirements. The Proposal states that the lead auditor should determine "each other auditor's compliance", including a requirement to obtain written representation from "each other auditor" (AS 2101.B4). As proposed, it is unclear whether the lead auditor's responsibilities apply to each individual engagement team member (who is considered an other auditor), or to each other firm that is participating in the audit. We believe the most effective method of ensuring compliance with these requirements is to rely on the other firm's system of

quality control (which monitors individual compliance), and obtain written representations from the other auditor's engagement partner on behalf of the other firm.

We recommend the Board clarify the intent of the proposed AS 2101.B4 requirements and suggest that the Proposal be amended to explicitly allow for the lead auditor to confirm compliance with the other auditors' firms rather than individual engagement team members.

Requirements of Other Auditors

The proposed amendments to AS 1201 Appendix B require the lead auditor to, among other things, obtain a written report from the other auditor describing their procedures, findings, conclusions, and, if applicable, opinion (AS 1201.B2d). However, the Proposal does not contain instruction on the form of this report. The Proposal is also silent to the broader requirements and responsibilities of other auditors. We are concerned that the lack of authoritative guidance on the expected conduct of other auditors will lead to disparity in practice and present significant challenges to lead auditors in performing their proposed responsibilities.

We recommend the Board specify the expected form of the other auditors' report in proposed AS 1201.B2d and provide guidance on the expected responsibilities and requirements of other auditors when performing audit procedures for a lead auditor.

We appreciate the effort and time the Board has devoted to the Proposal and hope you find our comments meaningful. Please direct any questions to Fred Frank in our Professional Practice Group at 206-302-6800.

Very truly yours,

Moss Adams LLP