Paris La Defense, February 2, 2009

Public Company Accounting Oversight Board
Office of the Secretary
1666 K Street, N.W.
Washington, DC 20006, USA
Attention: J. Gordon Seymour, Secretary, and the Members of the Board

Re: PCAOB Rulemaking Docket Matter No. 027 – Request for public comment on proposed amendment to Rule 4003, concerning the timing of certain inspections of non-US firms and other issues relating to inspections of non-US firms

Dear Sirs,

Mazars is an international organization of European origin, specialized in audit, accounting, tax and advisory services. Its integrated partnership assembles more than 10,500 professionals operating in 50 countries, and there are 12 additionnal countries where Mazars is present throught correspondents and joint ventures. Moreover, via the International Praxity Alliance of which Mazars is a founding member, the group can access the skills and expertise of a further 13,000 professionals in another 23 countries, all of whom possess a common desire to adhere to strong quality guidelines and a collective determination to exceed technical and ethical standards.

In North America, Mazars has a long standing presence via Mazars USA (created in 1988/1989, and registered with the PCAOB). As a natural extension of its development strategy, Mazars has formed several joint ventures with members of Moores Rowland International (MRI) since 2000 to assist its clients in various corners of the world. At the end of 2006, Mazars and the American members of MRI, decided to optimize their relationship, and signed an agreement to launch a new international alliance between independent structures, named Praxity, an international non-profit association registered in Belgium, which became operational in 2007.

We want to preface our comments with general consideration that we fully support implementation of rules strengthening the audit quality, and the contribution of these rules to restore the public confidence in financial reporting and in the world's capital markets. Mazars is therefore fully committed to support PCAOB initiative, as well as those of IFAC, European Commission and other key European or national regulators or oversight that have been already doing good work and are implementing stronger controls in these areas of common concern.

We are pleased to submit this letter in response to the PCAOB's invitation to comment on its proposed amendment to Rule 4003, and we would like to make a few remarks before delving into the questions posed.

In general, we are proponents of full reliance, as we stated in our comment letter on Rule 4012 [1] dated March 4, 2008. As we stated then and now, there are convergences between the proposed policy statement Rule 4012 and the provisions of the European Audit Directive. We strongly urge the US and non-US oversight systems (EU, H3C, and other) to strive to work towards reaching reciprocity, harmonization, and cooperation to better inspection process.

When full reliance cannot be achieved in the short term, we do believe that joint inspections can improve the quality of inspections in the longer term. But we also consider that mutual recognition and full reliance on third country public oversight bodies is the only practicable solution.

The significant benefits from a true “full reliance” approach would be increased opportunities to expand the focus of inspections on audit quality thereby better protecting investors, cost savings for oversight bodies and audit firms through the elimination of duplication of inspections, but also to prevent significant conflicts of laws and regulations for companies and audit firms, by recognizing the sovereignty of third countries.

We are not proponent of singling out or web-listing non-US oversight systems that legitimately claim the legal restriction exception to not provide information to the PCAOB.

Finally, in Europe, and therefore France, audit firms cannot be held responsible for the delay in PCAOB inspections, as an adequacy decision of the European Commission has to take place first, in accordance with Article 47 of the European Audit Directive. If, as stated in page 16 of the proposed document, “*a registered firm's failure or refusal to provide requested information is a violation of Rule 4006 and is inconsistent with the condition reflected in Section 102(b)(3)*” and “*the Board could impose disciplinary sanctions in any case where a violation of Rule 4006 is established*”, with the associated footnote 35 of a particular concern in this respect, underlining that “*the Board does not view non-U.S. legal restrictions or the sovereignty concerns of local authorities as a sufficient defense in a Board disciplinary proceeding instituted under Section 105(c) of the Act for failing or refusing to provide information requested in an inspection*”, then the PCAOB Proposed Rule Amendments would force most European audit firms to choose between violating either the European or their home country laws and regulations, or the PCAOB Rules.

We respectfully submit our detailed comments below. We commend the Board for the transparency of its rule deliberation process.

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[1] Rule 4012 - Inspections of Foreign Registered Public Accounting Firms

 # 1 – Mazars' comments on whether there are other factors that should be treated as a reason to consider moving an inspection to an earlier year (page 13).

Paragraph D, *Proposed Extension of the Deadline for Some 2009 Inspections*, of this PCAOB proposal noted that under Rule 4003, the PCAOB is required to inspect 70 non-U.S. firms located in 37 jurisdictions for the first time by the end of 2009. 50 out of the 70 non-US firms are located in 24 jurisdictions where the PCAOB will not have conducted any inspections by the end of 2008. Some of these jurisdictions have new local auditor oversight authorities requiring cooperative arrangements before inspections. The steps involved in concluding arrangements and evaluations of the local oversight systems are challenging and time-consuming. Thus, the PCAOB believes that the most practical approach to the jurisdiction-level work is to allow three years beyond 2009 to perform that work. In the meantime, the Board will work toward cooperation and coordination with the relevant local authorities and evaluate relevant systems in response to rule 4011 requests without delaying inspection demands on the selected firms.

The Board will prioritize inspections using U.S. market capitalization of firms' issuer audit clients (ranking the 50 firms according to the total US market capitalization top to bottom) and certain criteria concerning the number of those 50 firms that would be inspected in each year.

Per the Board any inspection may be moved to an earlier year depending upon certain factors such as:

1) presence of certain risk factors (including referred work performed as non principal auditor)
2) synchronization of schedules with a local regulator for purposes of a joint inspection
3) opportunity to do an inspection earlier
4) availability of resources, including availability of inspectors with specialized industry knowledge and relevant language skills
5) changes warranted by annual review of market capitalization data

We believe that other potential factors could be considered as a reason to consider moving an inspection to an earlier year such as:

a) PCAOB deregistration before inspection – If a registered firm up for inspection elected to be deregistered prior to inspection
b) sanctions by local regulators or evidence of fraud or illegal acts
c) reorganization of a non-US firm – Merger

In general, Mazars agrees with the Board's approach in regard to the proposed extension of the deadline for some 2009 inspections as well as with the factors that may cause the acceleration of some of these inspections. Mazars strongly urges the PCAOB and the non-US oversight systems to find common grounds in the area of jurisdiction-level work.

 # 2 – Mazars' comments on whether it is appropriate that the PCAOB maintain on its web site an up-to-date list of all registered firms that have not yet had their first inspection as a means to provide public transparency related to delayed inspections. Are there other suitable alternatives (page 14)?

Per the Board, investors may have an interest in the identity of firms that have not been inspected within the timeframe that investors could reasonably have expected an inspection to occur (2008 and 2009 non-U.S. inspections). Thus, the Board is considering maintaining on its web site an up-to-date list of all registered firms that have not yet had their first PCAOB inspection even though more than four years have passed since the end of the calendar year in which they first issued an audit report while registered with the Board.

Inclusion on the list would not be an indication that a firm has not cooperated with the PCAOB or is at fault in any way, nor would the list be intended as a substitute for action the PCAOB might take in the event that a firm did fail to cooperate. The list would be intended only to provide public transparency related to delayed inspections.

Mazars disagrees with the Board's approach in regard to "web-listing" non-US firms that have not been inspected within the SOA required schedule. Although it may be consider more transparent, a "Web-listing" of non-US firms may be viewed as a negative mark against firms which have not yet been reviewed. Several other factors to consider are:

a) It will appear like a double-standard. There are no current plans to list US firms that are at no-fault of their own for non-inspection. Section 106(a) (1) of SOA calls for all registered firms to be subject to SOA and the PCAOB's rules irrespective of their location.

b) "Black-listing" non-US firms can create in the minds of US investors the idea that non-US firms are a special category of firms providing sub-standard audit work that US investors may not rely upon in their investment decisions.

c) This will appear like blackmail with the Board telling the non-US oversight systems that refuse to cooperate on the sovereignty grounds that doing so will get them "web-listed."

d) It could also be confusing in the mind of certain investors who may assume that inclusion on the PCAOB list would be an indication that a firm has not cooperated with the PCAOB or is at fault.

Mazars believes that web-listing non-US firms in order to provide public transparency related to delayed inspections will be counter-productive and its costs will outweigh its benefits. Non-US oversight systems may take reciprocal measures if this idea is implemented which can threaten the spirit of cooperation built since the inception of the board.

 # 3 – Mazars' comments on whether and how the fact of a non-U.S. legal restriction or sovereignty concern should be factored into the Board's consideration of the appropriate sanction to impose for a violation of Rule 4006 (page 16).

It is noted that the PCAOB plans to continue its efforts to develop cooperative relationships with its foreign counterparts. However, it will also need to make inspection demands on non-U.S. firms even in circumstances where the sovereignty concerns or legal objections of local authorities have not been overcome. The Board does not view non-U.S. legal restrictions or the sovereignty concerns of local authorities as a sufficient defense. Even the invocation of Rule 2105 [2] which allows a firm's registration application to be considered complete, for purposes of registering the firm, even in the absence of the consent to cooperate will not be sufficient.

A registered firm's failure or refusal to provide requested information is a violation of Rule 4006 [3]. The Board could impose disciplinary sanctions in any case where a violation of Rule 4006 is established. There are a range of disciplinary and remedial sanctions available to the Board, for violation of Rule 4006, including revocation of a firm's registration or sanctions short of revocation such as restrict a firm from accepting any new issuer audit clients, or performing referred work on the audit of any issuer for which it has not previously performed referred work, until the firm cooperates in an inspection.

But in the case of non-U.S. legal restrictions or sovereignty concerns of local authorities, no other firm in the country will be in the position to accept these engagements, which we consider as a major issue for the Board.

Consideration of any actual non cooperation case will be based on facts and circumstances. The Board takes into account several factors:

1) The importance of the inspection process to the oversight regime established by SOA
2) The sensibility to the fact that no cooperation with the board means no registration
3) The fact that non-cooperation on a non-US legal restriction or sovereignty concern is different from other non-cooperation circumstances

Mazars believes strongly that the Board and its non-US counterparts must exhaust all of the jurisdiction-level work before reaching the point of mutual disciplines and remedial sanctions. Non-US oversight systems that raise non-cooperation with the Board on legal restriction or sovereignty grounds are not doing so gingerly. It is a fundamental issue of legal sovereignty. No matter how the Board massages it or raises the hammer-sanctions, most non-US oversight systems won't give a blank check to the Board to inspect their systems at will without reciprocity or least to do it jointly. The Board inspection process as conceived now is too intrusive.

Most of the leading EU countries (Germany, France, UK, and Holland) meet most of the Rule 4012 principles which call for full reliance on their non-US inspection process and they still claim the legal restriction exception which is the heart of the issue.

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[2] Rule 2105 Conflicting Non-U.S. Laws.
[3] Rule 4006 Duty to Cooperate With Inspectors

Meeting requirements for Rule 4012 shall be a prerequisite for Rule 4006 and Rule 4003.

We agree with the Board that the fact of a non-U.S. legal restriction or sovereignty concern should be factored into the Board's consideration of the appropriate sanction to impose for a violation of Rule 4006. However, we believe that the Board shall seek widespread agreements on this issue before proceeding with sanctions.

 # 4 – Mazars' comments on whether there are possible rulemaking approaches that would help address aspects of the problems created by a refusal to produce information (page 17).

Mazars does not believe that there are any other possible rulemaking approaches that would help address aspects of the problems created by a refusal to produce information if due to the fact that non-cooperation is based on a non-US legal restriction or sovereignty concern.

 # 5 – Mazars' comments on whether there are potential benefits and drawbacks of a rule along the lines described above (page 17).

The Board is proposing that a principal auditor make certain public disclosures as part of, or in connection with, each audit report it issues for an issuer. For example, if the principal auditor has failed to provide information in response to an inspection demand on the basis of non-U.S. legal restrictions or sovereignty concerns, the principal auditor would need to disclose that fact as part of, or in connection with, its audit report.

In each case, the principal auditor would need to make a representation about whether the principal auditor used the work of any registered firm that has declined to provide information or documents in response to a Board inspection demand on the basis of non-U.S. legal restrictions or sovereignty concerns. The principal auditor would have an obligation to make this inquiry to any registered firm whose work the principal auditor uses, regardless of whether that work constituted a "substantial role" as defined in PCAOB Rule 1001(p) (ii). The principal auditor would also have to retain documentation of the inquiry and response.

Mazars believes that there are no potential benefits but only drawbacks of a rule along the lines described above. These potential disclosures do not add any value to the quality of the audit engagement work or to the quality control systems of the principal auditor. The role of the principal auditor is not to act as a substitute for the Board. Such disclosures have the potential to create backlashes from non-US oversight boards. They also do not support current focus on risk-based approach.

These potential disclosures will not bring about any improvements to the financial reporting as called for by the SEC's Advisory Committee on Improvements to Financial Reporting or the Treasury's Advisory Committee on the Auditing Profession.

 # 6 – Mazars' comments on whether there are generally other possible rulemaking approaches relating to those issues that might provide useful disclosure to investors or otherwise be in the public interest (page 18).

Mazars believes that there are generally no other possible rulemaking approaches relating to those issues that might provide useful disclosure to investors or otherwise be in the public interest. Non-US oversight systems that do not cooperate with the Board by refusing to provide information on the grounds that it may violate their sovereignty are in fact calling for negotiations with the Board. They want these negotiations to remain in the legal arena not in the audit arena. Providing such disclosures to investors or otherwise may be detrimental to the non-US firms reputation in the eyes of the investor as they may consider those firms to be of a lesser quality than US firms. This in turn may inhibit the growth US companies wishing to invest outside the US with no hopes of finding non-US Firms capable of properly providing them services required.

We hope the above comments will be helpful and remain available for further considerations.
If you would like to discuss our submission further, please do not hesitate to contact us.

Yours sincerely,

Jean-Luc Barlet
Mazars
Risk Management & Audit Quality