

October 22, 2015

VIA E-MAIL [comments@pcaobus.org](mailto:comments@pcaobus.org)

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

**Re: PCAOB Release No. 2015-005 (Docket Matter No. 41) – *Concept Release on Audit Quality Indicators* (“Concept Release”)**

Dear Office of the Secretary:

WeiserMazars LLP (“WeiserMazars”) welcomes the opportunity to comment on the Public Company Accounting Oversight Board’s (the “PCAOB” or the “Board”) *Concept Release on Audit Quality Indicators* (the “Concept Release”).

WeiserMazars is a firm with over 100 partners and 700 professionals across the United States. It is an independent member firm of Mazars Group, an organization with over 15,000 professionals in more than 70 countries around the world, and a member of Praxity, a global alliance of independent assurance, tax and advisory firms.

#### Overview

WeiserMazars broadly supports the Board’s view that “indicators are a potential portfolio of quantitative measures that may provide new insights about how to evaluate the equality of audits and how high quality audits are achieved.” We agree that providing such indicators “may inform discussions among those concerned with the financial reporting and auditing process,” namely auditing firms and audit committees. However, we believe that further consideration of the appropriate audit quality indicators (“AQIs”), giving consideration to potential unintended consequences, is required. We also caution placing undue reliance on any resulting indicators. The quality of an individual audit or auditing firm cannot be measured by quantitatively metrics alone. Effective auditing is highly dependent on qualitative factors, which are not easily measured or evaluated, and the level of experience and diligence of the specific engagement team. Additionally, the variable of the client environment, including governance, staff competency and cooperation with the auditors are factors that cannot be ignored when considering audit quality.

#### Intended Users and Firm vs. Engagement Level AQIs

We believe that the AQI initiative should be focused on the needs of audit committees in their role of providing governance over the audit process. Audit committees are best suited to evaluate the information that they need to guide their decisions as to the choice of auditors. In addition, they are already receiving information related to the engagement and engagement teams as part of their charge. While other constituencies may have an interest in such information, they are not a direct party to the audit relationship and thus are not in a position to gain clarifying insight into the resulting AQIs.

While we are concerned about the potential unintended consequences of AQI data made available to the broad public, we believe that any AQIs made publicly available should be firm level information, and that it should be meaningful and comparable. As a result, any such indicators would require a fair degree of specificity as to how they would be calculated. Such specificity may result in difficulty in calculation / implementation by individual firms based on available information and their infrastructures.

We believe that, given our recommended focus on audit committees and their evaluations of the individual audit needs of the companies that they represent, engagement level AQIs should be requested by them directly from the audit firms based on the data that they believe is relevant to their governance considerations. Such direct communications between audit committees and audit firms we believe will lead to more meaningful data and conversation, while preserving a sense of voluntary, versus mandatory, compliance. To assist audit committees in their charge, we support the development of audit committee guidance regarding engagement level AQIs.

Future Evolution of AQIs

We agree with the Board's comment in the Concept Release that "by their very nature audit quality indicators must be capable of change over time to reflect advances in learning and changes in the way audits are conducted." As a result, we would recommend there be a component of periodic review of any resulting industry guidance for continued relevance promulgated in any formal decisions.

Comments on Proposed AQIs

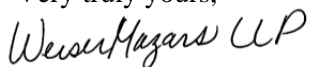
Appendix A hereto provides our observations on select potential AQIs proposed in the Concept Release.

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Recognizing the need for further study, we applaud the Board for its continuing efforts to improve audit quality and transparency. We fully support the AQI initiative and commend the Board for taking on such a project. We remain committed to participating in future discussions with the Board and its staff in finding ways to enhance audit quality and transparency in financial reporting. As always, we fully support the mission of educating investors and other users of financial statements about the process of auditing issuers and the meaning behind the issuance of the independent auditor's report.

We would be pleased to discuss our comments with you at your convenience. Please direct any questions to Wendy B. Stevens, Partner, Quality Assurance Practice Leader, at (212) 375-6699 ([wendy.stevens@weisermazars.com](mailto:wendy.stevens@weisermazars.com)), George Parker, Partner, Quality Assurance, at (267) 532-4382 ([george.parker@weisermazars.com](mailto:george.parker@weisermazars.com)) or Salvatore A. Collemi, Director, Quality Assurance, at (212) 375-6552 ([salvatore.collemi@weisermazars.com](mailto:salvatore.collemi@weisermazars.com)).

Very truly yours,



WeiserMazars LLP

## **APPENDIX A – POTENTIAL AUDIT QUALITY INDICATORS**

We offer our general observations and insights regarding certain specific audit quality indicator sections as raised by the Board as follows:

### **AUDIT PROFESSIONALS**

#### Availability

##### *Technical Accounting and Auditing Resources*

A firm's technical accounting and auditing resources would be challenging to measure without proper context of the nature of the firm's engagements. Certain industries may demand more technical resource hours than others. The term "technical accounting and auditing resources" should be more clearly defined as not all firms will have centralized resources or there may be differing interpretations across firms.

##### *Persons with Specialized Skill and Knowledge*

With respect to persons employed at audit firms with specialized skill and knowledge who have a dual role as both an auditor and as an expert in another relevant discipline, for purposes of this indicator, their time spent (in quantity and percentage) should be separated between their audit skills as compared to expertise skills at the engagement level and firm level.

#### Competence

##### *Industry Expertise of Audit Personnel*

Factual information with respect to the experience of audit professionals on a particular engagement should be obtained by the audit committee when assessing the engagement team and firm upon initial engagement and annually for continuance. We do not believe at the moment that there is a practical, consistent way of measuring industry expertise or providing statistics relating to a firm's audit staff on an overall basis. A significant component of industry expertise is gained through engagement experience, discussions with client and industry personnel, on the job training and other contributing factors that are not possible to measure quantitatively.

We believe that the use of SIC codes would not be meaningful. It would disaggregate the data too far and would not necessarily result in proper comparisons due to the variability in operations of large businesses and inconsistencies in the identification of companies to SIC codes.

##### *Training Hours per Audit Professional*

The tracking of continuing professional education is only one form of measure which may not directly correlate to a professional's complete skill set. Other relevant and qualitative factors have to be taken into consideration such as on the job training and other technical and industry activities.

Training hours should be computed on a per-person basis regardless of the size of the firm.

The method by which training is delivered should not be factored into the evaluation of a firm's training program. Blended approaches are necessary for interactivity, flexibility and convenience.

### Focus

#### *Allocation of Audit Hours to Phases of the Audit*

We believe the "percentage of hours" metric at the engagement level is a meaningful basis for comparison. However, it should be looked upon as a starting point in any analysis. Consideration as to how many years the audit client has been with the audit firm, industry classification, experience of the engagement team, complexity of the engagement, risk profile, and account specific risks also need to be factored into the analysis. Disaggregating by size would be helpful, but again only as a starting point. Our experience has shown that smaller engagements can be just as complex as larger engagements.

## **AUDIT PROCESS**

### Tone at the Top and Leadership

#### *Results of Independent Survey of Firm Personnel*

We do not believe a survey of this nature would gather objective or reliable information.

### Incentives

#### *Quality Ratings and Compensation*

Measurements of this nature would be derived from highly subjective data. The ability to align the definition and parameters for performance measures across audit firms, large or small, would be a significant challenge due to the use of different methodologies for personnel evaluations.

#### *Audit Fees, Effort and Client Risk*

To have a consistent framework for this indicator, the definition of "high risk" audit clients must be standardized among audit firms with specific identifiable and measurable factors with assigned weightings. For example, specific factors may include whether an entity is highly leveraged, is subject to significant regulatory compliance and reporting issues, the complexity of its organizational structure, required industry expertise or use of specialized skills and knowledge, among others.

## Independence

### *Compliance with Independence Requirements*

Compliance with the independence requirements of the PCAOB and the SEC is mandatory. Firm level information with regard to a Firm's independence tracking and related methods to achieve compliance may be meaningful to audit committees. The number of personnel assigned to this function may not be correlated with a firm's compliance ability due to a variety of factors such as size of firm, nature of clients, etc. We do not see the relevance of providing firm level resignation details by reason.

## Infrastructure

### *Investment in Infrastructure Supporting Quality Auditing*

Investments in an audit firm's infrastructure to support quality auditing are best defined as:

- Computer software and hardware that meets the needs of the audit firm and client
- Training of audit professionals by both internal and external experts
- Audit firm quality controls that are monitored regularly by firm professionals, modified as needed, and regular training thereon
- A properly designed workplace environment conducive to a professional atmosphere

We believe that measurements of investments in infrastructure supporting quality auditing, if calculated, should only be done at the firm level. Additionally, we believe that dollar quantification of certain investments, such as employee training, are not easily calculable given the complexity of calculating accurate effective employee hourly rates. In the area of employee training, we believe that measuring hours per employee in AICPA approved training is a meaningful indicator but that no judgment should be made on the quality of the training received.

Recognizing these concerns, we would be supportive of the Board exploring a framework for uniform voluntary reporting requirements for firms to prepare a transparency report which would be publicly available. Such report might include high level information on the firm, details as to its governance, quality assurance and risk management policies and structures, and professional education requirements, programs and monitoring systems.

## Monitoring and Remediation

### *Audit Firms' Internal Quality Review Results*

The internal quality inspection findings of a registered public accounting firm should not be shared outside of the firm. However, the methods employed and focus of performing internal inspections could be the subject of qualitative inquiries made by an audit committee. Audit committees have access to publicly available inspection findings and may ask the firm how findings are addressed for both internal and external inspections.

## **AUDIT RESULTS**

### Financial Statements

#### *Frequency and Impact of Financial Statement Restatements for Errors*

Factual information derived from public filings may be presented to audit committees upon request. We struggle with how to relate this information to a meaningful quality indicator as the reason and magnitude of restatements requires individual engagement context.

#### *Fraud and Other Financial Reporting Misconduct*

Despite the historical harm to investors and other stakeholders from fraudulent financial reporting, we recommend this AQI not to be further developed at this time. The ability to gather objective and measurable data correlated to fraud and the connection to material weaknesses and errors in financial statements beyond what is already publicly disclosed will be challenging to meaningful measure. Audit committees should continue to appropriately challenge companies and auditors in this area for approach and related results.

### Communications Between Auditors and Audit Committees

#### *Results of Independent Surveys of Audit Committee Members*

We believe that if such an AQI is used, it should be administered by an entity fully independent of the audit firms. Additionally, we believe that the sampling approach and questions should be standardized. The survey process should be performed as frequently as the publication of any publicly disclosed AQIs.

A database containing an up-to-date listing of audit committee members and contact information would need to be maintained at a centralized location by the administering entity. Such data collection could be challenging to implement.

### Enforcement and Litigation

#### *Trends in PCAOB and SEC Enforcement Proceedings*

If an audit firm is investigated and it leads to a conclusion of no wrongdoing, still, by its very nature, an investigation may taint an audit firm's reputation to a potential client's audit committee. Therefore, tabulation of cases for purposes of this indicator should include only cases that result in findings against an auditor or the audit firm.

*Trends in Private Litigation*

Since we operate in litigious society, many frivolous cases are brought against audit. Nevertheless, revelation of litigation against an accounting firm can taint the firm. If a regulatory authority tabulates and reports such cases, even if dropped or won by the accounting firm, audit committees and investors may draw incorrect conclusions about the audit firm. Thus, only cases that result in legal court adjudicated findings against an auditor or the audit firm should be tabulated.

Settlements are made quite often due to the costs of defense even if the defensive party is without fault or innocent of the charges / claims. Consequently, settlements are not a good indicator of audit quality issues at an accounting firm and should not be tabulated.

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