



Paris La Defense, October 21, 2010

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 Release No. 2010-001 March 29, 2010 - PCAOB Rulemaking Docket Matter No. 030 - Proposed Auditing Standard on Communications with Audit Committees and Related Amendments to Certain PCAOB Auditing Standards

Dear Sirs,

Mazars is a unique integrated partnership with a global reach. It operates as one integrated international partnership in 56 countries with more than 12,500 professionals, led by more than 600 partners, with 16 additional countries where Mazars is present through correspondents and joint ventures (see Mazars 2009 annual report together with its more recent updates, its 2009 IFRS joint-audited consolidated financial statements, and all the annual reports published since 2005 on <http://www.annualreport.mazars.com/eng/>).

Mazars is one of the founding members of 'Praxity', an alliance of 109 firms operating in 72 countries with more than 24,500 professional, the world's largest alliance of independent accounting firms.

Mazars provides a complete range of audit, accountancy, tax, legal and advisory services, designed to create added-value. Mazars was founded with certain core values: Independence, Competence; Intellectual and Ethical Rigour and Integrity; Sense of Service and Responsibility; Continuity; Respect for Individuals and Diversity.

We are pleased to submit this comment letter in response to the invitation to comment from the PCAOB on its proposed auditing standard on communications with audit committees. Mazars is very supportive of the PCAOB's efforts to update its auditing standards on communications with audit committees.

Audit committees play pivotal roles in the corporate governance process and the buck stops at their desks when the time comes to appoint, compensate, and oversee the work of external auditors. A robust, substantive, and effective two-way communications between the audit committees and external auditors are ingredients that contribute greatly to achieve the objective of the audit and thus to protect the investors.

We commend the Board for the transparency of its rule deliberation process and for considering the work of the IFAC IAASB.

More specifically, Mazars would also encourage the Board to not lose sight of the potential impacts on its proposed standard of:

- The recently adopted (and pending SEC’s approval) Auditing Standards Related to the Auditor's Assessment of and Response to Risk and Related Conforming Amendments to PCAOB Standards,
- The commonalities between the clarified work of the ASB and IFAC IAASB, in particular the IFAC IAASB ISAs 260 and 265,
- The recently issued European Commission two Green Papers , on respectively *Corporate governance in financial institutions and remuneration policies* and *Audit Policy: Lessons from the Crisis*.

Lastly, Mazars would also propose that the SEC and the PCAOB grant sufficient and reasonable transition periods (to domestic and foreign private issuers) before the effective implementation dates of the finally adopted and approved standard. This would permit all of the related parties (management, audit committee, external auditors, investors, etc) to be adequately and timely informed.

We respectfully submit our detailed comments below.

1. Are the objectives of the auditor in the proposed standard appropriate? If not, why? Should other matters be included in the objectives? – Page 6

Mazars believes that the 4 objectives of the auditor as proposed are appropriate.

2. Are the objectives adequately articulated? Should the articulation of the objectives focus on the outcome that should be achieved by performing the required procedures? – Page 6

We believe that the objectives should focus on the outcome that should be achieved; otherwise, audits may tend to focus on the form rather than the content. This may lead to “boilerplate” communication which may not fully meet the intended objectives of the standard.

3. Is it appropriate for the proposed standard to require that an engagement letter be prepared annually? If not, why? - Page 7

Mazars agrees with this PCAOB’s proposed standard that a requirement for the auditor to establish a mutual understanding of the terms of the audit engagement with the audit committee must be coupled with a requirement that the auditor records this understanding in a written audit engagement letter that he/she must provide to the audit committee annually. This is a critical document which sets out a mutual understanding.

Given the dynamic business environment in which most public companies operate, not providing this annually may result in misunderstandings between the audit committee and the auditors due to changes such as new audit committee members, change in scope of work, recent changes in the company’s business, regulatory changes, etc.

4. Are there other matters that would enhance investor protection that should be added to an engagement letter? If so, what other matters should be included in an engagement letter? – Page 7

Mazars is of the opinion that a financial reporting framework is relevant to the issuers and consequently should be part of the engagement letter as supported by ISA 260. Such disclosure enhances communication and thus improves investor protection in the long run.

Also, as the auditors' communication with audit committees is a critical element in the audit process and audit committees have been given certain significant responsibilities, the engagement letter should include both the auditors and the audit committee's responsibilities.

This way, all parties involved in the audit process, auditors, management and the audit committee, have a clear understanding of their roles and responsibilities and full transparency of each other's roles and responsibilities.

5. Is the proposed requirement to inquire of the audit committee appropriate? What other specific inquiries, if any, should the proposed standard include for the auditor to make of the audit committee? – Page 8

Mazars supports robust and substantive two-way discussions between the external auditors and the audit committee throughout the engagement period. Inquiry of the audit committee is a vital part of this ongoing and transparent communication and should remain in the standard.

Perhaps it's appropriate for the auditors to discuss with the audit committee their background, relationship with the audit client and independence and objectivity vis-à-vis the audit client. This is particularly relevant in developing countries where a high degree of relationship or interrelationship exists among companies, board members and audit committee members.

6. Are the requirements to provide information on the auditor's audit strategy and timing of the audit appropriate? Does the auditor need more guidance related to the requirement to provide information on the auditor's audit strategy? If so, what type of guidance would be helpful? – Page 9

Mazars agrees with the appropriateness of the requirements to provide information on the auditors' audit strategy and timing of the audit.

Mazars also believes that certain key engagement quality review (EQR) matters such as the provision of concurring approval of issuance and evaluation of the engagement team's assessment of, and audit responses to significant risks identified by the engagement team, including fraud risks should be accounted for in the audit strategy.

Finally with the PCAOB's recent adoption¹ of its auditing standards related to the auditor's assessment of and response to risk, Mazars would support requiring the auditor to provide information, as part of the audit strategy, on ways he/she dealt with assessed risks and responses to these assessed risks. This is also in synch with the PCAOB's recently published report on audit deficiencies in areas that were significantly affected by the economic crisis.

¹ On August 5, 2010, the PCAOB adopted a suite of eight auditing standards related to the auditor's assessment of, and response to, risk in an audit. These standards, if approved by the SEC, will become effective for audits of fiscal periods beginning on or after December 15, 2010.

7. Is it sufficiently clear which types of arrangements should be communicated to the audit committee related to the roles, responsibilities, and locations of firms participating in the audit? – Page 9

The types of arrangements related to the roles, responsibilities, and locations of firms participating in the audit that should be communicated to the audit committee are not sufficiently described. Mazars proposes that the references to the qualifications and competencies of the participating firms be added. The types of supervision, review, and approval process of the work of the other firms can also be mentioned.

8. Are the proposed requirements regarding the auditor's communication responsibilities with respect to accounting policies and practices sufficiently clear in the proposed standard (e.g., is the difference between a critical accounting policy and a significant accounting policy or practice adequately described)? – Page 13

The proposed requirements regarding the auditors' communication responsibilities with respect to accounting policies and practices are sufficiently clear.

9. Is it helpful to include in the proposed standard the audit committee communications required by the SEC relating to accounting matters? – Page 13

Yes, the inclusion of the SEC required audit committee communications is helpful.

10. Is the definition of critical accounting estimates appropriate for determining which estimates should be communicated to the audit committee? – Page 13

Yes, this definition appears appropriate.

11. Are the communication requirements regarding critical accounting estimates appropriate? If not, how should the proposed standard be modified to provide appropriate information to the audit committee? - Page 13

Yes, the communication requirements regarding critical accounting estimates as described appear appropriate.

12. Should this requirement be expanded to include consultations on accounting or auditing matters with non-accountants, such as consulting firms or law firms? – Page 14

Mazars agrees with the idea of expanding the communication requirements to include technical consultations (on accounting, auditing or legal matters) by management. Technical consultations by management are critical to the auditors work. Auditors must review them and state whether they agree or disagree with them. Anyhow, they should be communicated to the audit committees.

The degree and frequency of the use of technical consultations may also say something to the audit committee about the availability of in-house competency and qualification of management or the complexity of the subject matter treated.

13. Is the communication requirement on going concern clear? If not, how could the requirement be clarified? – Page 14

The communication requirement on going concern as proposed appears clear.

14. Are the requirements appropriate regarding the communications for uncorrected misstatements? – Page 15

The requirements regarding the communication for uncorrected misstatements appear appropriate. However, Mazars proposes that references to the application of SAB 99² and SAB 108³ be added when assessing misstatements.

15. Should all corrected misstatements including those detected by management be communicated to the audit committee? – Page 15

Mazars proposes that all corrected misstatements including those detected by management be brought to the attention of the audit committee. This provides the audit committee with important information about the quality of the books and records provided to the auditor's upon the commencement of the audit.

Without this communication, the audit committee may not be aware of the quantity, magnitude and reason behind of the late corrections made by management which may indicate additional weaknesses in internal controls or management's ability to timely close the books.

16. Like the existing standard, the proposed standard would allow the auditor to communicate many matters orally or in writing. Should the standard require that all or certain matters be communicated to the audit committee in writing? If only certain matters should be communicated to the audit committee in writing, what are those matters? – Page 16

Mazars believes that the requirement of the existing standard that allows the auditors to communicate many matters orally or in writing is adequate.

Mazars agrees with this amendment: *“The auditor is required to document the communications, whether communicated orally or in writing, in sufficient detail to enable an experienced auditor, having no previous connection with the engagement, to understand the communications made to comply with the provisions of this proposed standard.”*

Mazars also agrees with the reference to the audit documentation requirements of AS 3.

² SAB 99 - Guidance in applying materiality thresholds to the preparation of financial statements filed with the Commission and the performance of audits of those financial statements

³ SAB 108 - Guidance on the consideration of the effects of prior year misstatements in quantifying current year misstatements for the purpose of a materiality assessment

17. Are the requirements in the proposed standard on the timing of the auditor's communications appropriate? Should only certain matters be communicated annually? If so, which ones? – Page 17

Mazars believes that overall the requirements in the proposed standard on the timing of the auditor's communication is appropriate. Audit engagement circumstances should dictate the appropriate timing for communications.

18. Does the requirement to evaluate the adequacy of the communication process promote effective two-way communications? Is more information on this requirement needed? – Page 18

Mazars agrees with the requirement that the auditors assess the adequacy of the communication process. This does promote effective two-way communications.

Assessing the adequacy of the communication process may also have an effect on the outcome of the audit. For example, if the audit committee is neither engaged, nor interested in communicating adequately, or if its engagement is not effective, this increases the risks related to the control environment and thus, auditors would be required to address these risks. If these control environment risks cannot be adequately addressed due to their severity or magnitude, auditors should resign from the engagement before the issuance of the audit report.

19. Are these other communication requirements appropriate and sufficiently clear? What other communication requirements should the proposed standard include, if any? – Page 20

These other communication requirements are appropriate and sufficiently clear.

20. Are the matters included as significant difficulties in paragraph 21 of the proposed standard appropriate? What other matters should be included as significant difficulties? – Page 20

These matters included as significant difficulties in the proposed standard appear appropriate. Perhaps it's appropriate to include the quality of the accounting information provided as this often has a direct impact on the level of additional effort needed by the auditor. This is particularly applicable to smaller reporting companies.

21. Are any of the requirements included in the proposed standard inappropriate for auditors to communicate to audit committees based on the size or industry of the company under audit? – Page 20

Mazars does not believe that any of the requirements included in the proposed standard are inappropriate for auditors to communicate to audit committees based on the size or industry of the company under audit.

This proposed standard should be based on one of the premises of AS 5. Per paragraph 13 of AS 5, “the size and complexity of the company, its business processes, and business units, may affect the way in which the company achieves many of its control objectives. The size and complexity of the company also might affect the risks of misstatement and the controls necessary to address those risks. Scaling is most effective as a natural extension of the risk-based approach and applicable to the audits of all companies. Accordingly, a smaller, less complex company, or even a larger, less complex company might achieve its control objectives differently than a more complex company.”

Consequently, required communications between auditor and audit committee should also be cognizant of the size and complexity of operations of the company under audit.

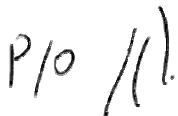
Mazars would also propose that cost-benefit analysis be part of the equation when drafting this proposed standard. Throughout this comment process, the PCAOB should ponder whether the benefits of this required communication outweigh its costs and how it is ultimately going to help the investors.

22. Is the information included in Appendices A - C to the proposed standard sufficiently clear? Should the appendices include other matters, e.g., should other items be included in an audit engagement letter? - Page 21

Mazars believes that the information included in Appendices A - C to the proposed standard is sufficiently clear. However, Mazars would like to propose that, as part of the two-way communication between audit committee and external auditors, references be made to the management representation letter, or at least main topics and issues, which is another required documentation.

We hope that our comments above will be useful and we remain available for further considerations. Please feel free to contact us again if you deem it necessary to discuss our submission further.

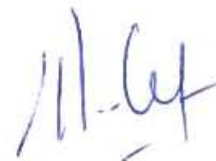
Yours sincerely,



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