

June 30, 2021

AICPA Auditing Standards Board  
1345 Avenue of the Americas, 27th Floor  
New York, NY 10105

Re: Proposed Statement on Auditing Standards – Inquiries of the Predecessor Auditor Regarding Fraud and Noncompliance with Laws and Regulations

Dear Members of the Board and Staff:

Mazars USA LLP (“Mazars”) welcomes the opportunity to comment on Proposed Statement on Auditing Standards – Inquiries of the Predecessor Auditor Regarding Fraud and Noncompliance with Laws and Regulations.

Currently, Mazars USA has over 100 partners and 800 professionals across the United States and is an independent member firm of the Mazars Group, an organization with 1,100 partners and 26,000 professionals in 90 plus countries around the world, and a member of Praxity, a global alliance of independent firms. As a member of an international network, we strive for continuous improvement by collaborating with our other member firms to set high standards of quality throughout the Mazars Group and tailoring these standards to meet U.S. Generally Accepted Auditing Standards (U.S. GAAS) established by the American Institute of Certified Public Accountants and the professional practice standards established by the Public Company Accounting Oversight Board (PCAOB).

Our views on the Exposure Draft are driven by our position in the U.S. marketplace as a medium sized public accounting firm servicing mostly small to mid-size public and private businesses in a variety of industries and as a member firm in a global network. Mazars supports the Auditing Standards Board’s (ASB) efforts to improve and strengthen auditor communication, to assist auditors in making informed decisions during acceptance of new clients, and to bring U.S. GAAS requirements more in line with PCAOB standards (specifically AS 2610, *Initial Audits – Communications Between Predecessor and Successor Auditors*). We believe that strong client acceptance procedures are key to our firm’s success, and strengthening the underlying professional standards will benefit both our firm and the profession as a whole.

**Requests for Specific Comment:**

1. Does the respondent agree with the ASB’s determination that it is appropriate to retain the requirement for the auditor, prior to accepting an initial audit, including a reaudit engagement, to request management to authorize the predecessor auditor to respond fully to the auditor’s inquiries? If not, why not, and how would the respondent revise the requirement (for example, by making the procurement of management’s agreement a precondition for the auditor to accept the engagement or requiring the auditor to communicate with the predecessor auditor without management’s authorization)?

Response: We agree with the ASB’s determination that it is appropriate to retain the requirement for the auditor, prior to accepting an initial audit, including a reaudit engagement, to request management to authorize the predecessor auditor to respond fully to the auditor’s inquiries.

We believe obtaining explicit management authorization is an important step in the client acceptance process. First, it creates an opportunity to clarify for management our responsibilities under auditing standards as they relate to predecessor auditor communications. It also creates an opportunity for management to discuss with the auditor the nature of the prior auditor relationship and the basis for changing auditors. This information, along with any corroborating or differing information obtained through discussion with the predecessor auditor, is impactful in making a client acceptance decision. We also believe that it is important to allow management the opportunity to not authorize the discussion with the predecessor auditor, as there can be unique situations where such communications could be problematic, for example if there is litigation between the parties. Lastly, we believe that it is important for the predecessor

auditor to know that such discussions have been authorized so that they are not in a position of violating the AICPA Code of Professional Conduct related to disclosing confidential information. Explicit authorization of the successor auditor's discussion with the predecessor auditor mitigates the risk of negative professional or legal consequences.

2. Are the proposed requirements appropriate and complete, including whether it is appropriate to continue to provide an exception that permits the predecessor auditor to decline to respond to the auditor's inquiries due to impending, threatened, or potential litigation; disciplinary proceedings; or other unusual circumstances? If not, please suggest specific revisions to the proposals.

Response: We believe that an explicit requirement for the successor auditor to inquire about "identified or suspected fraud" and "matters involving noncompliance or suspected noncompliance with laws and regulation" as proposed in the Exposure Draft is appropriate, as long as the predecessor auditor is not expected to communicate matters beyond those which were communicated to management and those charged with governance during their last completed or uncompleted audit in accordance with the following standards:

- AU-C section 240 - *Consideration of Fraud in a Financial Statement Audit*, paragraphs 39-41, *Communications to Management and With Those Charged with Governance*, and related application material (AU-C 240).
- AU-C section 250 - *Consideration of Laws and Regulations*, paragraphs 21-23, *Reporting of Identified or Suspected Noncompliance – Reporting Noncompliance to Those Charged With Governance*, and related application material (AU-C 250).

Given the potential significance of these items, which would be discoverable from a review of the predecessor auditor workpapers, assuming that such documentation was not excluded from the workpapers by the predecessor auditor, such a requirement adds focus to the relevant areas of the prior audit engagement. It also potentially expedites communication around such items between the predecessor and successor auditor, which, in instances where there are significant matters, could allow more timely client acceptance decisions, especially in the event that the successor auditor declines to accept the engagement as a result of such matters.

We believe that the proposed requirements should be revised to include an explicit link or reference to the predecessor auditor's prior requirements under the applicable provisions of AU-C 240 and AU-C 250 noted above, in order to avoid any misconception that the information communicated should go beyond that which was deemed required to be communicated to those charged with governance under those standards.

We agree with the exceptions that permit the predecessor auditor to decline to respond to the auditor's inquiries due to impending, threatened, or potential litigation; disciplinary proceedings; or other unusual circumstances.

3. Is the proposed requirement appropriate and complete? If not, please suggest specific revisions.

Response: We believe that the proposed requirement for the successor auditor to "document its inquiries and the results of those inquiries with the predecessor auditor" are appropriate and complete. We do not believe that a more prescriptive requirement is necessary as the successor auditor should be able to apply judgement as to the extent of their documentation.

4. Are respondents supportive of the proposed effective date? If you are not supportive, please provide reasons for your response.

Response: No, we believe that effective date provisions, as written, could have unintended consequences. In certain situations, auditors be engaged more than a year in advance of the period close date. We suggest that there be a waiver of complying with the new requirements in those situations where predecessor auditor procedures are already in progress or complete.



We would be pleased to discuss our comments with you at your convenience. Please direct any questions to George Parker, Partner, Quality & Risk Management, at (267) 532-4382 ([george.parker@mazarsusa.com](mailto:george.parker@mazarsusa.com)) or Soma Sinha, Senior Manager, Quality & Risk Management at (212) 375-6569 ([soma.sinha@mazarsusa.com](mailto:soma.sinha@mazarsusa.com)).

Very truly yours,

A handwritten signature in black ink that reads "Mazars USA LLP". The signature is written in a cursive, slightly slanted style.

Mazars USA LLP