NOTICE: This is an unofficial transcript of the portion of the Public Company Accounting Oversight Board’s Standing Advisory Group meeting on May 24, 2017, that relates to 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 other topics discussed during the May 24-25, 2017, meeting are not included in this transcript excerpt. The Public Company Accounting Oversight Board does not certify the accuracy of this unofficial transcript, which may contain typographical or other errors or omissions. An archive of the webcast of the entire meeting can be found on the Public Company Accounting Oversight Board’s website at: https://pcaobus.org/News/Events/Pages/SAG-meeting-May-2017.aspx.

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MS. MURRALL: Thank you, Marty. And if it's okay, I would just like to go back to the standard setting agenda and some of the points that you raised.

I very much appreciate the work that the PCAOB has done to increase the transparency in the audit reporting model and then in the audit engagement partner.

I'm here representing institutional investors. They invest internationally, and we very much welcome this harmonization internationally in transparency.

However, I do still remain concerned, and I've expressed it before, about one of the requirements in the supervision of auditors in that it appears to me that you're still retaining this divided responsibility for the audit in that my understanding is that is not something that is currently done internationally. It's
1 certainly not done in the London market, which is an international market. Companies list there that are global.

But ultimately, the lead auditor has to take responsibility for that audit. And if so, they have to do additional procedures if they're not satisfied with the work of other auditors, et cetera, et cetera.

And I'm concerned that if you have divided responsibility, it could be perceived as a qualification or limitation of scope in some way. And I just wondered if you could expand on that.

MR. BAUMANN: Thanks, Liz. Good comment. There were some commenters on the proposal on supervision of global audits and other auditors who brought up that point besides you.

And I didn't list that as one of the major comments. And one of the reasons I didn't is I think the number of audits with divided responsibility, Keith, is in the neighborhood of maybe 50?

MR. WILSON: Yes, that's about right.

MR. BAUMANN: So about 50 audits where there is divided responsibility. It's a small item, but I take
your point. And we are reconsidering that issue with the Board as part of our re-deliberations.

I can't say how we'll come out on it. I will say I believe the Auditing Standards Board of the U.S., contrary to the -- it normally follows the IAASB. The Auditing Standards Board establishes practices for non-public companies, and Mike Santay is sitting somewhere around here.

I think, although they largely follow the ISA for group audit area, they may have retained a divided responsibility in the United States. Is that fair, Mike?

MR. SANTAY: Yes, that's right, Marty. And I think we did talk a little bit about, you know, some of the folks that use our standards. For example, the government auditors that really kind of need that accommodation because of the different structures for government entities.

So that was one of the key points, I think, at the time of the group audits where we did converge, but we did differ on that one.

MR. BAUMANN: Good question. A good area for us to continue to reconsider as we deliberate. So thank you
1 for that point. Chuck Senatore.