



July 2, 2024

By email: rule-comments@sec.gov

U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

**Re: SECURITIES AND EXCHANGE COMMISSION [Release No. 34-100276; File No. PCAOB-2024-01]
Public Company Accounting Oversight Board; Notice of Filing of Proposed Rules on General
Responsibilities of the Auditor in Conducting an Audit and Amendments to PCAOB Standards**

Dear Office of the Secretary:

The Center for Audit Quality (CAQ) is a nonpartisan public policy organization serving as the voice of US public company auditors and matters related to the audits of public companies. The CAQ promotes high-quality performance by US public company auditors; convenes capital market stakeholders to advance the discussion of critical issues affecting audit quality, US public company reporting, and investor trust in the capital markets; and using independent research and analyses, champions policies and standards that bolster and support the effectiveness and responsiveness of US public company auditors and audits to dynamic market conditions. This letter represents the observations of the CAQ based upon feedback and discussions with certain of our member firms, but not necessarily the views of any specific firm, individual, or CAQ Governing Board member.

The CAQ appreciates the opportunity to share our views and provide input on the final standard (Final Standard or Adopting Release) adopted by the Public Company Accounting Oversight Board's (PCAOB or the Board) on May 13, 2024 (File No. PCAOB 2024 – 01) and filed with the Securities and Exchange Commission (SEC or Commission) on May 24, 2024, in Release No. 34-100276.

Support for the Final Standard

We support the Board's efforts to modernize existing auditing standards and the objectives of the proposal as set forth by the PCAOB to streamline and clarify general principles and responsibilities of auditors and provide a more logical presentation, which would enhance the useability of the standards by making them easier to read, understand and apply.



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We welcome the efforts of the Board to understand the feedback provided and concerns raised by stakeholders through the comment letter process, and to thoughtfully address that feedback in the Final Standard. In particular, we appreciate the clarifications included in the adopting release confirming that the “...introductory language does not alter any existing regulatory or legal requirements or obligations between auditors and investors” and “does not establish a novel duty or new form of legal obligation;” and confirming that the “proposed clarification of ‘present fairly’ was not intended to change the auditor’s existing responsibilities for the evaluation of whether the financial statements are presented fairly in conformity with the applicable financial reporting framework.”¹

We are supportive of the SEC approving the Final Standard.

Importance of implementation support

Based on our initial reviews of the Final Standard, implementation resources will be necessary to promote consistent implementation and application of the new standard and amendments. While not an all-encompassing list, such resources will be particularly important in the specific areas described below:

- **Effective date** – As described in the final release, “subject to approval by the SEC, the new standard and related amendments will take effect for audits of financial statements for fiscal years beginning on or after December 15, 2024, except for the 14-day documentation completion date requirement (AS 1215.15).”² We observe that the effective date does not reference interim or stub periods. We interpret that AS 1000 will take effect for fiscal years, including stub periods, beginning on or after December 15, 2024, and for interim reviews and other engagements conducted pursuant to PCAOB standards beginning with the first interim period ending after the first financial statement audit covered by the standard. In other words, the first interim review the Final Standard would apply to would be Q1 2026 for a company with a December 31 fiscal year end. To the extent this interpretation does not align with the PCAOB’s intention, clarification for practitioners will be needed, especially the effective date of the 14-day documentation completion requirement for interim reviews and stub periods.
- **Critical assessment of other information** – The definition of due professional care in the Final Standard requires auditors to perform “a critical assessment of audit evidence and other information that is obtained to comply with PCAOB standards and rules.”³ This requirement will result in an increased focus on the preparation of reports to regulators, including Form AP. While the auditor can critically assess audit evidence using AS 1105, *Audit Evidence*, there is not an overarching framework for critically assessing other information that is obtained to comply

¹ Refer to adopting release text pages 19-20 and 51.

² Refer to final release text, page 96.

³ Refer to AS 1000.11.



with PCAOB standards and rules. Without implementation support in this area, there will likely be inconsistency in the application of the requirement. As such, we suggest that the SEC direct the PCAOB Board to undertake a separate rulemaking project, including related to evaluating errors in other information such as Form AP. Doing so would also enable the Board to revisit whether it is appropriate that any error in Form AP, regardless of materiality, requires the form to be amended. As it stands, the current approach for Form AP reporting and error corrections is unlike that applied in the public company reporting context, and, in our view, results in unnecessary costs without incremental value to investors and other stakeholders.⁴

In addition to providing implementation tools and resources specific to these matters, it will be important for the PCAOB to engage with the auditing profession throughout the implementation period to help resolve further implementation questions as they arise. Engagement by the PCAOB with investors and other key stakeholders, including sharing implementation resources with stakeholders outside of the auditing profession, would benefit all within the financial reporting ecosystem by reducing potential expectation gaps. We suggest that the SEC encourage the PCAOB to provide implementation support as described herein in order to ensure a successful implementation of the Final Standard.

The CAQ appreciates the opportunity to comment on the Final Standard, we look forward to future engagement and we encourage the Commission and PCAOB Board to proactively seek out engagement with auditors, audit committee members and investors on these topics. As the Commission continues to gather feedback from other interested parties, we would be pleased to discuss our comments or answer questions from the Board regarding the views expressed in this letter. Please address questions to Dennis McGowan (dmcgowan@thecaq.org) or Emily Lucas (elucas@thecaq.org).

Sincerely,

A handwritten signature in cursive script that reads 'Dennis McGowan'.

Dennis McGowan, CPA
Vice President, Professional Practice
Center for Audit Quality

⁴ In the context of Form AP and other form filings, we also note that the new due professional care paragraph (AS 1001.09) states that “[d]ue professional care means ... complying with applicable professional and legal requirements” (which would include complying with Form AP and other form filing requirements). We encourage the Board to clarify as a matter of implementation guidance that a simple mistake (i.e., something short of negligence) in a Form AP or other form filing does not automatically mean there is a failure to act with due professional care.



cc:

PCAOB

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