



June 28, 2024

Vanessa A. Countryman
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

RE: File Number PCAOB-2024-01

Dear Ms. Countryman:

We appreciate the opportunity to comment on the Securities and Exchange Commission's (SEC or "the Commission") Release No. 34-100276, *Notice of Filing of Proposed Rules on General Responsibilities of the Auditor in Conducting an Audit and Amendments to PCAOB Standards* (the "PCAOB standard" or "PCAOB adopting release," or PCAOB Release 2024-004").

We have provided feedback to the Public Company Accounting Oversight Board (PCAOB or "the Board") on the proposal.¹ As we have expressed to the PCAOB, we support the objective of the proposal to streamline and clarify general principles and the responsibility of the auditors and to provide a more logical presentation, which would enhance the usability of the standards by making them easier to read, understand, and apply.

We appreciate the Board has clarified the role of the auditor.

Reaffirming the auditor's public interest role within the existing legal framework

In our comment letter, we raised a concern that certain language within the proposed standard introduced ambiguities regarding the auditor's obligations to investors (such as the proposed requirement in paragraph .15 for the auditor to "keep in mind their role in protecting investors"), without any accompanying guidance in the proposal or the release. We suggested the Board clarify the proposal as well as confirm its intent. We are pleased the Board has done so, helpfully clarifying that "the introductory language does not in any way alter any existing regulatory or legal requirements or obligations between auditors and investors. It does not establish a novel duty or new form of legal obligation. Rather, it reaffirms the auditor's obligation under the existing legal framework and the important role of the auditing profession in our capital markets."²

Fair presentation

In our comment letter, we raised a concern that the proposed rule seemed to suggest that there could be some principle other than Generally Accepted Accounting Principles (GAAP) that the auditor should apply to make judgments in relation to evaluating whether the financial statements are presented fairly, in all material respects, in conformity with the applicable financial reporting standard. We were concerned the PCAOB was expanding the outer boundary of the auditor's responsibilities by essentially removing the anchor of the applicable financial reporting framework and suggesting auditors could override management's well-reasoned judgments, which would be a significant change in practice.

¹ See our [comment letter](#) on PCAOB Release 2023-001, *General Responsibilities of the Auditor in Conducting an Audit and Amendments to PCAOB Standards* (AS 1000).

² PCAOB Release 2024-004, page 19.



In light of these concerns, we are pleased the Board clarified its intent within the adopting release by including statements such as “[o]ur proposed clarification of ‘presents 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” and “the amendments do not require auditors to expect that the company override or deviate from the requirements of the applicable financial reporting framework.” We appreciate that the Board retained the important concept from AS 2815³ and included an explicit statement in the adopting release that the Board “also agree[s] with commenters that the auditor’s evaluation of fairness of presentation of the financial statements is an exercise of professional judgment in the context of an applicable financial reporting framework.”⁴

Clarification of the effective date of the 14-day documentation completion requirement for interim reviews and stub periods is necessary.

As indicated in the adopting release, the 14-day documentation completion requirement will take effect for audits of financial statements for fiscal years beginning on or after December 15, 2024 for public accounting firms that issued audit reports with respect to more than 100 issuers during the calendar year ending December 31, 2024.⁵ However, the Board did not specify when the 14-day timeframe for documentation completion would apply to interim reviews, nor indicate how the requirement would apply for periods less than a year (referred to as “stub periods”).

When the Board previously updated documentation requirements, it explicitly set out an effective date for interim reviews.⁶ Based on the Board’s previous approach, we interpret the 14-day documentation completion requirement as taking effect for interim reviews as of Q1 2026 for a calendar year-end company (i.e., beginning with the first quarter ending after the first financial statement audit covered by the changes to AS 1215, *Audit Documentation*). Any earlier effective date with respect to interim reviews (e.g., Q1 2025) would not provide sufficient notice and time to implement the accelerated timing after the SEC approval of the standard and would be inconsistent with the PCAOB’s phased approach to provide firms more time to prepare for implementation.

Regarding stub periods, our interpretation is that the accelerated timing would apply to the archiving of any audit work on periods that commence after December 15, 2024, regardless of whether it relates to a full fiscal year. Should the SEC approve these proposed rules, we recommend that the SEC, through its approval order, either address these matters or instruct the PCAOB to do so (e.g., through issuance of a statement or staff guidance).

The SEC should direct the PCAOB to evaluate and undertake separate rulemaking with respect to Form AP materiality as a result of this and other PCAOB proposals.

³ AS 2815, *The Meaning of “Presents Fairly in Conformity with Generally Accepted Accounting Principles,”* paragraph .03.

⁴ PCAOB Release 2024-004, page 52.

⁵ PCAOB Release 2024-004, page 96.

⁶ Page 10 of PCAOB Release 2004-006, *Audit Documentation and Amendment to Interim Auditing Standards*, explained that the standard will be effective for audits of financial statements with respect to fiscal years ending on or after the later of November 15, 2004, or 30 days after the date of approval of the standard by the SEC. The effective date for quarterly reviews and other engagements, conducted pursuant to the standards of the PCAOB, would occur beginning with the first quarter ending after the first financial statement audit covered by the standard.



In our comment letter, we raised a concern in relation to the Board’s proposal to extend the concepts of “due professional care” and specifically professional skepticism beyond a critical assessment of audit evidence to a critical assessment of information related to the audit,⁷ for example by performing a critical assessment of information used in the preparation of Form AP and other reports to regulators. We suggested that the Board consider how best to address its expectations related to Form AP through separate rulemaking, noting that 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 (unlike any other aspects of public company reporting).

We believe the expectations relating to Form AP amendments need to be reconsidered and redeliberated in light of implementation experiences. In our view, the application of the current requirements related to Form AP results in unnecessary costs without incremental value to investors and other stakeholders – which would be exacerbated with the expansion of information that would be included on Form AP under the current PCAOB proposal on *Firm and Engagement Metrics*, including due to the inability to use estimates. We respectfully request the SEC to ask the PCAOB to undertake an evaluation and undertake separate rulemaking on this matter.

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We appreciate the opportunity to express our views and would be pleased to discuss our comments or answer any questions. Please contact Brian Croteau at brian.t.croteau@pwc.com or Tim Carey d.timothy.carey@pwc.com regarding our submission.

Sincerely,

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP".

PricewaterhouseCoopers LLP

⁷ PCAOB Release 2023-001, AS 1000, paragraph 10, and discussion on pages 23–24 of the proposing release. The final standard retains this requirement in paragraph 11, amended to require a “critical assessment of other information that is obtained to comply with PCAOB standards and rules.”