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Office of the Secretary  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

Re: File Number PCAOB 2024-06, *Public Company Accounting Oversight Board; Notice of Filing of Proposed Rules on Firm and Engagement Metrics and Related Amendments to PCAOB Standards*

Dear Office of the Secretary:

Crowe LLP appreciates the opportunity to comment to the Securities and Exchange Commission (SEC or the Commission) on the amendments to the rules and reporting forms (Firm and Engagement Metrics rules) to require the reporting of specified firm-level metrics on new Form FM, *Firm Metrics*, and specified engagement-level metrics on an amended and renamed Form AP, *Audit Participants and Metrics*, that were adopted by the Public Company Accounting Oversight Board (PCAOB or the Board) on November 21, 2024.

We recognize and appreciate the PCAOB's efforts to consider the views of stakeholders on its proposed Firm and Engagement Metrics rules. We provided feedback during the proposal process, including noting that we are committed to providing relevant, decision-useful information about both the firm and the audits we perform for the benefit of audit committees, shareholders and investors, regulators, and other stakeholders. We appreciate the revisions the Board made in its final rules in response to comments received. We remained concerned, however, that the PCAOB does not sufficiently articulate the benefits that are likely to result from this rulemaking, calling into question if the rules are necessary or appropriate in the public interest or for the protection of investors. As such, we do not support the SEC's approval of the final Firm and Engagement Metrics rules in their current form.

The economic analysis supporting the final Firm and Engagement Metrics rules identify the benefits of this rulemaking as enhancing (i) audit committees' ability to efficiently and effectively monitor and select auditors as well as (ii) investors' ability to efficiently and effectively make decisions about ratifying the appointment of their auditors and allocating capital. The economic analysis also notes limitations on the evidence used to support these benefits. These limitations call into question whether it is likely that this rulemaking will achieve its intended benefits.

The PCAOB's mission – to protect investors and further the public interest in the preparation of informative, accurate, and independent audit reports – and vision are directly connected to promoting audit quality. The economic analysis notes that the metrics “cannot...measure audit quality,” nor are the metrics intended to measure audit quality.<sup>1</sup> The economic analysis also cites multiple studies that raise questions about the impact the reporting of these metrics will have on audit quality. As such, we question the need for rulemaking that does not clearly or directly advance audit quality for the benefit of investors.

We agree that audit committees may benefit from the disclosure of certain metrics, primarily because of their ability to engage in robust dialogue with the auditor about the metrics. In our comment letter on the

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<sup>1</sup> See page 187 of PCAOB Release No. 2024-012.

proposed rule, we supported engagement with the audit committee specifically about engagement-specific metrics. We noted that through ongoing dialogue, the audit committee will have the opportunity to obtain the information they need to understand the metrics and oversee the auditor. The examples presented in the economic analysis about how the metrics may be used illustrates this use of the metrics by audit committees – in both examples related to the audit committee, the committee members engage with the auditor to further discuss the reported metrics. In contrast, the examples illustrating how investors may use these metrics both suggest the investors will use the metrics to take action – either to make a capital allocation decision or in deciding how to vote. These examples suggest the same set of metrics would be sufficient to inform investor’s decision-making, including about whether to ratify the audit committee’s selection of an auditor, yet trigger the need for additional information by the audit committee. These two potential types of actions resulting from the same metrics raise questions about whether the benefits and intended use of these metrics have been sufficiently studied.

We understand investors’ calls for additional information to use in making decisions about ratifying the auditor. Given it is the audit committee’s statutory responsibility to select the auditor, we strongly believe that the audit committee should provide information to investors about their selection. We noted that the PCAOB dismissed the alternative of reporting metrics to the audit committee because, in part, it would not have resulted in information about audit engagements and audit firms being available to investors. As their oversight does not extend to the audit committee, the PCAOB is not in a position to require audit committees to report how the committee oversees and selects the auditor, which would also result in increasing the information available to investors. We question if the PCAOB’s rulemaking will meaningfully address the needs of investors to have information to inform their decision whether to ratify the auditor, or if there is an alternative approach that would more likely achieve the desired outcome. We encourage the SEC to work with the PCAOB and other stakeholders to assess whether another reporting mechanism would better meet the needs of investors and achieve the intended benefits than this rulemaking.

The PCAOB cites other transparency-related initiatives, such as Form AP and the revised auditor reporting model, and information related to the usage of that data, as support for the disclosure of firm and engagement metrics. We note substantial differences in the process that lead to the adoption of Rule 3211 and Auditing Standard (AS) No. 3101, *The Auditor’s Report on an Audit of Financial Statements When the Auditor Expresses and Unqualified Opinion*. Those rulemaking and standard-setting projects went through a much more extensive process than the Firm and Engagement Metrics rules – including concept releases, multiple proposals, and a public roundtable. Each step in this process allowed for much public input and debate. The projects evolved in response to the feedback. For example, the concept release for Rule 3211 solicited feedback on whether the engagement partner should sign the audit report. Ultimately, the PCAOB’s engagement with stakeholders resulted in a rule that was well-supported and appropriately balanced the benefits and costs of the project. Engagement on the Firm and Engagement Metrics rulemaking, in contrast, has been quite limited. While the PCAOB issued a concept release in 2015, there was limited discussion – outside of members of the Advisory Groups – about this project in almost a decade. The differences in the process are not acknowledged in the economic analysis and limit Rule 3211 and AS 3101’s usefulness in comparison.

Additionally, we note that the PCAOB has not conducted a post-implementation review of Rule 3211, nor completed its post-implementation review of AS 3101. As the PCAOB has not studied whether the intended benefits of those projects have been achieved and whether there were unintended consequences, it is unclear whether those projects provide evidence about the need for additional transparency-focused rulemakings.

The economic analysis states, “One reason that academic evidence related directly to whether the benefits of the proposal exceed the costs is limited is likely that...the necessary data do not exist.” We noted multiple commenters, including Crowe, encouraged the PCAOB to conduct further research and outreach, including potentially conducting pilot tests, to gather data about the expected benefits and potential challenges that could arise from this rulemaking. The final rule notes that pilot tests could provide some benefits but would also have limitations. We acknowledge that pilot tests would not provide perfect data about the expected outcomes from the Firm and Engagement Metrics rules; however, given the PCAOB noted that other data does not exist, it would have seemed a prudent step to engage in research and outreach, including potential pilot tests.

The PCAOB adopted an effective date beginning with October 1, 2027 for the largest firms – almost three years from the Board’s adoption. Rather than allowing for a multi-year period between adoption and effectiveness of the Firm and Engagement Metrics rule, the PCAOB could have used this time to conduct research, engage with firms of various sizes to conduct pilot tests, and analyze the results of its outreach and research in order to gather data about the benefits and costs of this rulemaking. Taking a thoughtful, measured approach such as this prior to implementation would likely result in final rules that would achieve the greatest benefits to investors and audit committees, without resulting in undue costs and burdens to firms, and while not adding significant time to the effective date.

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We appreciate the opportunity to share our perspectives on and concerns about the Board’s final rule related to Firm and Engagement Metrics. We would be pleased to discuss our comments with the Commission or its staff. If you have any questions, please contact Jennifer Kary, Managing Partner Firm Quality at [jennifer.kary@crowe.com](mailto:jennifer.kary@crowe.com).

Sincerely,

*/s/ Crowe LLP*

Crowe LLP