



June 10, 2022

Phoebe W. Brown
Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, NW
Washington, DC 20006-2803

RE: Interim Analysis No. 2022-001, Estimates and Specialists Audit Requirements

Dear Ms. Brown:

We appreciate the opportunity to comment on the Public Company Accounting Oversight Board's ("PCAOB" or "the Board") Request for Comment, *Post-Implementation Review, Interim Analysis of Estimates and Specialists Audit Requirements*¹ (collectively the "Request for Comment" or "PCAOB interim analysis"). We agree continued dialogue and feedback with stakeholders is important to monitor whether the PCAOB's standard setting has achieved its intended objectives and to identify further actions that may be necessary or appropriate.

We previously responded to the PCAOB staff's estimates and specialists-related requests that complement the Request for Comment. Included in these activities was a survey of our engagement partners who have had experience with the new standards. We have also provided additional information to the PCAOB in the context of its inspection program and other outreach to explain our processes to develop our firm methodology and tools, engage with our clients, and prepare and train our practice for implementation, and the estimated costs of doing so. Accordingly, this letter is intended to provide a high-level summary of our implementation experiences to date.

Our efforts to support successful implementation of the new standards

We supported the objectives of the PCAOB's efforts in relation to estimates and specialists throughout the standard-setting process. In our view, the PCAOB's changes better aligned standards with current practices relating to estimates and specialists. In implementing the requirements of the new standards, our primary activities related to developing and implementing firm-level policies, procedures, methodology, and tools, as well as guidance to address the specific provisions of the new standards.

In our methodology, we sought to further enhance our risk assessment process and procedures, and responses to the assessed risks of material misstatement related to accounting estimates. In particular, we emphasized the importance of identifying risks and understanding controls in business processes related to estimates, understanding and documenting management's process for developing accounting estimates (including identifying and evaluating significant assumptions), and evaluating management bias and changes in estimates as part of assessing the risk of material misstatement as a result of fraud. We also enhanced how we work with management's specialists throughout the audit process and the appropriate review and supervision of specialists both engaged and employed by the auditor.

¹ AS 2501, *Auditing Accounting Estimates, Including Fair Value Measurements*, and the *Amendments to the Auditing Standards for Auditors' Use the Work of Specialists* (collectively "the new standards")



The new standards were integrated into our training curriculum for the practice in 2019 and early 2020. We also incorporated requirements of the new standards into our firm's monitoring processes as part of our system of quality control (including our internal inspections).

Engagement with the auditing profession

Our April 2019 comment letter related to the Securities and Exchange Committee's notice of filing of the PCAOB's proposed rules noted that monitoring and supporting implementation of the new standards would be essential, as questions could arise from both small and large firms, as well as other stakeholders, about what is expected in relation to particular estimates to comply with the principles-based requirements. Accordingly, the engagement between PCAOB staff and task forces established by the US Center for Audit Quality has been helpful as auditors implemented the new standards, as was the further guidance issued by the PCAOB staff in August 2019.

Our experiences with management and audit committees

The new standards have not fundamentally changed our communications with management and audit committees. Much of what was finalized in the new standards was consistent with our communications about the results of the audit and our evaluation of the quality of the company's financial reporting. Our focus in communicating with audit committees is to share our significant judgments in our risk assessment and our planned approach, as well as the results of our work, facilitating an important two-way dialogue.

Conclusion

The Request for Comment notes that the PCAOB expects to produce a report in the fourth quarter of 2022 to communicate findings and provide early insights into the initial impact of the requirements. We would welcome the opportunity to engage with the PCAOB and its staff, in particular if the PCAOB plans to develop additional guidance for auditors.

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We appreciate the opportunity to express our views and would be pleased to discuss our comments or answer any questions that the PCAOB staff or the Board may have. Please contact Brian Croteau at brian.t.croteau@pwc.com regarding our submission.

Sincerely,

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

PricewaterhouseCoopers LLP