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June 10, 2022

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 Office of the Secretary:

The Center for Audit Quality (CAQ) is nonpartisan public policy organization serving as the voice of U.S. public company auditors and matters related to the audits of public companies. The CAQ promotes high-quality performance by U.S. public company auditors; convenes capital market stakeholders to advance the discussion of critical issues affecting audit quality, U.S. 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 U.S. public company auditors and audits to dynamic market conditions. Based in Washington, DC, the CAQ is affiliated with the American Institute of CPAs. 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 comment on the Public Company Accounting Oversight Board's (PCAOB or the Board) [Interim Analysis No. 2022-001: Request for Comment Post-Implementation Review Interim Analysis of Estimates and Specialists Audit Requirements](#) (individually the final standard and final amendments, respectively, and collectively, the Request for Comment).

**General Views**

The CAQ recognizes that the PCAOB worked to develop the new Estimates and Specialists Audit Requirements in a manner that was intended to further investor protection. Feedback has been solicited by the PCAOB and US Securities and Exchange Commission (SEC) from multiple stakeholders during each phase of the standard setting process, including now, during this post-implementation phase.



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Consistent with our initial recommendations to the PCAOB,<sup>1</sup> the CAQ continues to support outreach to monitor the implementation of the final standard and final amendments. We continue to support the principle of timely and robust post-implementation reviews, including a review approach that includes not only requests for public comment, but also analysis of other data and information. Continued data collection through PCAOB inspection programs, review of relevant academic literature, and information gathered through focus group meetings of the recently formed Investor Advisory Group and the Standards and Emerging Issues Advisory Group should continue to provide the PCAOB valuable feedback on whether the final standard and the final amendments are achieving their intended objectives, as well as whether there are any unintended consequences.

### **Public Company Auditing Profession Perspectives**

Companies prepare and present information about their business so that investors and other stakeholders can make well-informed decisions. The bedrock of the capital market system is high-quality, reliable financial statements, and independent auditor reports help investors and other stakeholders make informed decisions based on the financial statements. In recent years, accounting estimates, including fair value measurements, have become more prevalent and more significant, often having a significant impact on a company's reported financial position and results of operations. Similarly, financial reporting increasingly involves application of specialized skills and knowledge. We believe that the increased attention to applying professional skepticism in the evaluation of accounting estimates, and the scalability and risk-based approach to using the work of specialists, bring positive improvements to audit quality.

The CAQ applauds the PCAOB's approach in working with the members of the profession, including meeting with CAQ task forces, as doing so allows for an ongoing dialogue on implementation. This dialogue was instrumental in permitting the profession to share specific feedback on unique implementation challenges and enabling the PCAOB staff to provide helpful clarification through [guidance](#) about the intent of the standards after they were finalized and before the effective date.

#### *Implementation activities and impact on audit practices*

Similar to adopting any new or amended auditing standards, our members implemented the final standard and final amendments by training staff and incorporating the new requirements into firm audit methodologies, guides, tools, templates, and evidence gathering activities. As part of the implementation process, the CAQ formed a task force of profession wide subject matter experts to identify potential implementation challenges, seek out clarification, and continue to engage in dialogue with the PCAOB. This process was very helpful and promoted more consistent application of the final standard and final amendments throughout the profession.

We appreciate the PCAOB staff's guidance released in advance of the effective date of the requirements.<sup>2</sup> We believe the guidance helped to support an effective initial implementation of the

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<sup>1</sup> [CAQ Comment Letter Staff Consultation Paper, Auditing Accounting Estimates and Fair Value Measurements](#) and [CAQ Comment Letter Staff Consultation Paper 2015-01, The Auditor's Use of the Work of Specialists](#).

<sup>2</sup> [PCAOB Staff Provides Guidance for New Requirements on Auditing Estimates & Auditor's Use of the Work of Specialists](#)



requirements and the documents continue to be a valuable resource for the profession. We encourage the PCAOB to continue to monitor the implementation of the final standard and final amendments.

*Communication among auditors, audit committees, and management*

The final standard and final amendments have not fundamentally changed the communications among auditors, audit committees, and management. Much of what was finalized in the final standard and final amendments were practices commonly being conveyed in auditor communications from our member firms.

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The CAQ appreciates the opportunity to comment on the Request for Comment and would be pleased to discuss our comments or answer any questions that the Board or the staff may have regarding the views expressed in this letter. Please address questions to Vanessa Teitelbaum ([vteitelbaum@thecaq.org](mailto:vteitelbaum@thecaq.org)).

Sincerely,

A handwritten signature in black ink that reads 'Vanessa J'.

Vanessa Teitelbaum, CPA  
Senior Director, Professional Practice  
Center for Audit Quality

cc:

**PCAOB**

Erica Y. Williams, Chair  
Duane M. DesParte, Board member  
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Barbara Vanich, Acting Chief Auditor

**SEC**

Paul Munter, Acting Chief Accountant, Office of the Chief Accountant  
Diana Stoltzfus, Deputy Chief Accountant, Office of the Chief Accountant