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Staff White Paper

Second Stakeholder Outreach on the Initial Implementation of CAM Requirements

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I. EXECUTIVE SUMMARY

The PCAOB is committed to understanding the impact of critical audit matter (CAM) requirements on audit firms, preparers, audit committees, investors, and other financial statement users.[2] In furtherance of that commitment, staff of the Office of Economic and Risk Analysis (OERA) has performed an analysis to assess (1) recent trends in CAM communications, and (2) initial implementation of the CAM requirements for audits of issuers that are not Large Accelerated Filers (non-LAFs).[3] Specifically, in this paper, we analyze and describe the results of surveys that we conducted of auditors and investors, and interviews that we conducted with audit committee chairs and financial statement preparers.

This white paper is one part of OERA's contribution to the PCAOB's understanding of the impact of CAM requirements, and should be read in conjunction with (1) a set of initial documents published in October 2020 studying the impact of the initial implementation of CAM requirements by auditors of LAFs, and (2) a set of companion documents released together with this white paper that extend the 2020 analyses to encompass an additional year of CAM reporting for LAFs, and the initial implementation of CAM reporting for non-LAFs. Specifically:

- In October 2020, the PCAOB published an interim analysis report ("2020 Interim Analysis Report") that summarized early evidence on the initial implementation of CAM requirements by auditors of LAFs. To provide transparency into the technical details of the 2020 Interim Analysis Report, the staff also published two white papers: a white paper presenting results from econometric analysis ("2020 Econometric White Paper") and a white paper presenting results of various outreach activities to describe the data and modeling techniques used ("2020 Stakeholder Outreach White Paper).

- The PCAOB has published an interim analysis report ("2022 Interim Analysis Report") that summarizes additional evidence on the impact of CAM requirements. To again provide additional transparency into the technical details of the 2022 Interim Analysis Report, OERA staff has published two white papers. This white paper extends the 2020 Stakeholder Outreach White Paper by providing information regarding results of additional outreach on the impacts of CAM implementation. Another white paper, *Second Econometric Analysis on the Initial Implementation of CAM Requirements* ("2022 Econometric White Paper"), extends the 2020 Econometric White Paper by providing additional information regarding results of econometric analysis on the impacts of CAM implementation.[4]

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[2] For more background on CAM requirements and related materials, see the PCAOB's online resource titled *New Auditor's Report* ("CAM Implementation Page") at https://pcaobus.org/Standards/Implementation-PCAOB-Standards-rules/Pages/new-auditors-report.aspx.

[3] The CAM requirements took effect for fiscal years ending on or after June 30, 2019 for audits of large accelerated filers (LAFs) and for fiscal years ending on or after December 15, 2020 for audits of all other companies to which the requirements apply. LAFs are defined by the U.S. Securities and Exchange Commission (SEC) as issuers having a market float of $700 million or more, as of the last business day of the issuer's most recently completed second fiscal quarter. CAM communications are not required for audits of brokers and dealers reporting pursuant to Rule 17a-5 under the Securities Exchange Act of 1934 ("Exchange Act"); investment companies other than business development companies; employee stock purchase, savings, and similar plans; and emerging growth companies, as defined in Section 3(a)(80) of the Exchange Act.

[4] The staff is unable to evaluate all possible costs and benefits of the CAM requirements (e.g., because some potential effects may take more time to manifest or stabilize). In some cases, results are based on limited data and may not be generalizable to the entire stakeholder population. Further discussion of economic considerations related to the CAM requirements is available in the PCAOB's Adopting Release: The Auditor's Report on an Audit of Financial Statements when the Auditor Expresses an Unqualified

Key Findings

- **Investor awareness of CAMs is increasing, and some investors find CAMs beneficial. Several investors also suggested that CAMs would be more useful if they were more specific.**
    - Seventy-six percent of the investors who completed our survey reported that they had heard of CAMs, compared to 63% in 2020. Moreover, 57% of the investors who completed our survey had seen CAMs. In the 2020 survey, less than a third (31%) of respondents reported that they had seen CAMs.
    - Overall, most respondents agreed that CAMs provided sufficient details about the audit (60%). Less than half (40%) of respondents viewed CAMs as at least somewhat tailored to the audit. Almost half of respondents (44%) thought that CAMs were easy to understand.
    - Among other things, investors who had read CAMs reported using CAMs to identify risks associated with a given company (80%), focusing on key reporting issues or areas (56%), and better understanding disclosures made by management (60%).
    - Twenty-four investors responded to an open-ended prompt asking them to share two reasons why they would, or would not, use CAMs in the future. Seventeen of the 24 investors said they would use CAMs in the future. These investors generally found CAMs helpful to identify critical reporting risks and to provide a basis for questions to ask management. Investors also mentioned that CAMs provide insights and clarity on the audit process. Seven of the 24 investors said they would not use CAMs in the future. These investors generally said that CAMs do not add more information to what is already disclosed in other parts of issuers' annual reports (e.g., Risk Factors).
    - Twenty-one investors responded to an open-ended prompt asking for their perspectives and opinions on how CAMs could be made more useful. These investors suggested that auditors could use more specific, rather than, generic language in communicating CAMs. Some investors wanted to see more details on the auditor's perspectives of the assumptions made by the company, while other investors mentioned that it would be helpful for auditors to include a discussion of the outcome of audit procedures in CAMs.[5]
    - Audit committee chairs and preparers indicated that they generally considered CAMs to have an overall positive impact on the ability of investors to understand and analyze financial disclosures.

- **All participating firms developed infrastructure and conducted training to support the implementation of the CAM requirements by their audit engagement teams; upfront preparation by auditors contributed to a generally smooth experience for issuers according to audit committee chairs and preparers we interviewed.** Among audit firms surveyed in 2020 and

Opinion and Related Amendments to PCAOB Standards, PCAOB Release No. 2017-001 (June 1, 2017) (hereafter the 'Adopting Release') at 64.

[5] Neither of these types of information is required to be included in CAM communications. For example, in describing how a critical audit matter was addressed in the audit, an auditor may describe one or more of four categories of information, one of which is "an indication of the outcome of the audit procedures." See AS 3101.14(c).

2021, costs incurred at the firm level to support engagement team implementation of the CAM requirements have moderated.

- Among Big Four firms, through April 2021, the average amount of time spent per firm on firm-level activities to support implementation of the CAM requirements was 26,300 hours (54% at the partner level),[6] while the average amount of time personnel spent attending CAM-related training per firm was 15,500 hours (30% at the partner level). The majority of this time was incurred before 2020.

- Among the other four annually inspected firms that participated in our survey,[7] through April 2021, the average amount of time spent per firm to support implementation of the CAM requirements was 4,400 hours (45% at the partner level), while the average amount of time personnel spent attending CAM-related training per firm was 3,900 hours (24% at the partner level). The majority of this time was incurred before 2020.

- Among ten other smaller firms that participated in our survey, through April 2021, the average amount of time spent per firm to support implementation of the CAM requirements was 700 hours (74% at the partner level), while the average amount of time personnel spent attending CAM-related training per firm was 1,100 hours (46% at the partner level). Some of these firms reported benefitting from the phased implementation of CAM requirements.

- **Engagement partners reported that, on average, audit engagement teams spend 1%-2% of total audit hours on CAM-related activities.**

  - Engagement teams on non-LAF audits spent, on average, fewer hours on CAMs in the first year of implementation than engagement teams on LAF audits (52 vs. 109 hours); however, the percentage of total audit hours that engagement teams on non-LAF audits spent on CAMs is higher (1.6% vs. 1.1%).

  - For audits of LAFs, time spent on CAMs generally increases with issuer size; however, we do not observe this relationship for audits of non-LAFs. This suggests that a baseline amount of hours is required to implement CAM requirements irrespective of issuer size.

  - Time spent on CAMs is also directly related to the number of CAMs communicated.

  - Although preparers reported some costs associated with their auditor's implementation of the CAM requirements (e.g., management time, increased audit fees), almost all said that such costs were inconsequential.

[6] Hours reported here are estimated by the firms and include time spent: (1) developing, implementing, or revising firm-level audit policies, procedures, methodology, tools, guidance, review processes, and other infrastructure directly related to CAMs; (2) developing training directly related to CAMs; (3) engaging in CAM-related discussions or consultations with engagement teams (if hours were not charged to individual audit engagements); and (4) monitoring implementation of the CAM requirements by individual engagement teams (if hours were not charged to individual audit engagements). Hours do not include time recorded at the individual engagement level (e.g., engagement team hours spent on CAMs, national office hours spent on CAMs and recorded at the engagement level).

[7] Under the Sarbanes-Oxley Act of 2002 and as explained in detail in PCAOB Rule 4003, the PCAOB inspects annually those registered public accounting firms that issue audit reports for more than 100 issuers, while those that issue audit reports for 100 or fewer issuers are inspected at least once every three calendar years.

- **Auditors of LAFs were able to realize efficiencies in identifying, developing, and communicating CAMs in the second year of implementation.**
    - When asked how time spent on CAMs changed compared to the prior year audit, half of the engagement partners we surveyed in 2021 reported that it decreased, 34% reported that it stayed the same, and 16% reported that it increased.
    - Respondents reported a lower percentage of partner-level CAM hours in the second year of implementation compared to 2020 survey results. On average, for audits of LAFs included in our sample, partners accounted for 41% of total CAM hours in the first year of implementation versus 37% in the second year.
- **The staff has not found evidence of significant unintended consequences from auditors' implementation of the CAM requirements.**
    - There is no evidence that CAM implementation substantively changed the nature of or constrained communications among auditors and their clients. In 2021, engagement partners of non-LAFs audits reported that CAMs generally had no effect on (66%) or enhanced (32%) communication with the audit committee, which is similar to our 2020 survey results from engagement partners of LAFs audits. Most audit committee chairs and preparers asserted that the CAM requirements did not substantively change the nature of their discussions with the auditor, although some noted an incremental increase in the level of focus, or attention, around topics designated as CAMs.
    - In response to an open-ended question included in our 2020 and 2021 engagement partner surveys, some engagement partners reported that audit committees exhibited a preference that their CAMs be similar to others in the same industry. It is possible that these pressures may, over time, contribute to standardization of CAM communications.
- **In general, engagement partners reported that they did not make changes to the nature, timing, or extent of audit procedures performed due to the requirement to communicate CAMs in the auditor's report.[8] Some engagement partners reported that issuers made changes to financial statement disclosures because of the CAM communications.[9]**
    - In our 2020 survey, 3% of LAF audit engagement partners reported making changes to audit procedures due to the CAM communication requirements. Similarly, in 2021, less than 1% of non-LAF audit engagement partners reported making changes to audit procedures due to the CAM requirements.
    - In our 2020 survey, more than one-third of engagement partners (39%) reported that the issuer made changes to financial statement disclosures or other corporate reporting because of CAM communications in the respective audit reports. In 2021, around one-

[8] During the rulemaking stage, some commenters stated that the information communicated in describing CAMs could potentially be used to challenge the procedures performed or the adequacy of audit evidence obtained by the auditor (see Adopting Release at 41). To evaluate this possibility, we asked survey participants whether they had made changes to audit procedures and whether those changes were due to the CAM requirements.

[9] During the rulemaking stage, several commenters indicated the possibility of CAM communication encouraging the disclosure of information by management. For details, see Adopting Release at 93.

fourth of engagement partners reported the same (25% of LAF audits and 23% of non-LAF audits).

- Among 216 responses to an open-ended question we included in our 2021 engagement partner survey, the majority of partners indicated that issuers either enhanced their disclosures by providing more detail or made minor wording changes to better align disclosures with CAMs.[10]

II. SCOPE AND ANALYTICAL FRAMEWORK

In this paper, we analyze data collected from various stakeholder groups as part of our continued effort to understand how auditors responded to the CAM requirements, whether and how investors are using CAM communications, and audit committee and preparer experiences. We also evaluate whether evidence from implementation of the CAM requirements to date is suggestive of significant costs, benefits, or unintended consequences.

We collected data for our analysis through the following efforts:

- Investor Survey: We conducted a survey of investors in 2020 to gather evidence on investor awareness of CAMs, how investors were using CAMs, how investors anticipated using CAMs in the future, and overall investor perceptions of CAMs. In 2022, we conducted a second investor survey to gather evidence on changes in investor awareness, use, and perceptions of CAMs and to understand investors' views on how CAMs could be made more useful. As in 2020, our population of interest consisted of investors who conduct fundamental or governance analysis of companies.

- Audit Firm and Auditor Surveys: Our 2020 auditor outreach activities focused on evaluating the initial impact of first-time CAM implementation on audits of LAFs. We conducted voluntary surveys of audit firms and engagement partners in 2021 to (1) evaluate the initial impact of first-time CAM implementation on audits of non-LAFs, and (2) understand how auditor experiences with CAMs changed in the second year of implementation on audits of LAFs.[11]

- Structured Interviews of Audit Committee Chairs and Preparers: In 2020, we conducted structured interviews with audit committee chairs and financial statement preparers of LAFs to understand

[10] Comment letters received from preparers in response to the PCAOB's 2020 public request for comment on initial implementation of the CAM requirements asserted that CAMs did not result in significant changes to company disclosures. OERA's structured interviews with preparers and audit committees in 2020 generated similar findings.

[11] The 18 audit firms that participated in our survey comprise the U.S. affiliates of the Big Four audit firms, six other annually inspected U.S. audit firms, and eight triennially inspected U.S. audit firms. Big Four firms are Deloitte & Touche LLP; Ernst & Young LLP; KPMG LLP; and PricewaterhouseCoopers LLP. The six other annually inspected U.S. audit firms are BDO USA LLP; Crowe LLP; Grant Thornton LLP; Marcum LLP; Moss Adams LLP; and RSM US LLP. The eight triennially inspected U.S. audit firms are Baker Tilly US LLP; BKD LLP; CohnReznick LLP; Dixon Hughes Goodman LLP (DHG); EisnerAmper LLP; Mayer Hoffman McCann P.C. (MHM); Plante & Moran, PLLC; and WithumSmith + Brown, PC. WithumSmith + Brown, PC became an annually inspected firm in late 2020. However, it was a triennially inspected firm during the period of data collection. Therefore, for the purpose of our analysis, we have grouped it with other triennially inspected firms. It should be noted here that BKD LLP and DHG merged together and began joint operations on June 1, 2022 as a new firm called FORVIS LLP.

To perform the auditor outreach, we approached 18 audit firms to gather their insights into the initial impact of estimates and specialists audit requirements as well as the impact of CAM requirements. Please see staff white paper "Stakeholder Outreach on the Initial Implementation of Estimates and Specialists Audit Requirements" for further information about our outreach on the Estimates Requirements and Specialists Requirements. One firm completed the firm survey on CAM requirements but did not complete the firm survey on Estimates Requirements and Specialists Requirements.

their experiences with initial CAM implementation. In 2021/2022, we conducted structured interviews with audit committee chairs of both LAFs and non-LAFs. The main focus of these interviews was to understand non-LAF experiences with initial CAM implementation, and the secondary focus was to understand how LAF experiences with CAM implementation evolved during the second year of CAM requirements.

III. INVESTOR SURVEY

Because the CAM requirements are intended to "make the auditor's report more informative and relevant to investors and other financial statement users",[12] a thorough evaluation of their impact must include analysis of investor use and perceptions of CAMs. In 2020, OERA conducted a CAMs investor survey, receiving 97 complete responses from investors who conduct fundamental and governance analysis of companies.[13] The 2020 survey found that investor awareness of CAMs was still developing. While some investors were already reading CAMs (e.g., to help them analyze companies, better understand the work of the auditor, better understand financial statement disclosures, and develop questions for company management), other investors were unaware of CAMs or indicated that CAMs are not specific enough to provide useful information.

In April and May of 2022, OERA conducted a follow-up investor survey on CAMs to obtain information on changes in investor awareness, use, and perceptions of CAMs now that CAM communications in auditors' reports are more widely available in issuers' annual reports and over multiple years. Specifically, beginning in December 2020, the CAM requirements became effective for audits of certain non-LAFs and have now been communicated by auditors of LAFs for multiple years. The staff received 53 complete responses from investors who conduct fundamental or governance analysis of companies. About half of the investors (51%) who completed our survey indicated that they research investments for their jobs or for their clients. Among these professional investors, 37% identified themselves as financial analysts. A majority of these financial analysts further identified themselves as buy-side analysts (70%), while only 10% were sell-side analysts. In addition, a large majority of the respondents indicated that they had more than 10 years of financial analysis experience (96% the professional investors and 88% of the non-professional investors). Our 2022 investor survey participants were drawn from (1) email lists of financial professionals and investors maintained by a third-party vendor, and (2) an additional list of potential investor contacts compiled by the OERA staff. In compiling the additional list, OERA reviewed all comment letters sent to the PCAOB and SEC by investors and investor groups since 2016 as well as identified current and former investor representatives of the PCAOB. Results reported here are based on a relatively small sample and should not be considered representative.

CAM Awareness

Investor awareness of CAMs continues to develop. Seventy-six percent (see Table 8) of the investors who completed our survey reported that they had heard of CAMs, compared to 63% in 2020. Moreover, 57% of

[12] See Adopting Release at 1.

[13] Although the CAM requirements affect all investors, it seems probable that a relatively small subset of investors will regularly use CAMs. Therefore, in identifying the investor population of interest, OERA focused on investors who are likely to read issuers' annual reports and disclosures. In the 2020 survey, OERA targeted investors who conduct fundamental or governance analysis of companies.

the investors who completed our survey had seen CAMs. In the 2020 survey, less than a third (31%) of respondents reported that they had seen CAMs.

Use of CAMs

Some investors are reading CAMs and find the information beneficial. Among other things, investors who had read CAMs reported using CAMs to identify risks associated with a given company (80%; see Table 9), focusing on key reporting issues or areas (56%), and better understanding disclosures made by management (60%). These are largely similar to the responses reported by investors in the 2020 survey. A total of 24 investors also responded to an open-ended prompt asking them to share two reasons why they would or would not use CAMs in the future. Among these 24 respondents:

- Seventeen investors said they would use CAMs in the future. These investors generally found CAMs helpful to identify critical reporting risks and to provide a basis for questions to ask management. One investor wrote, "Auditors are the eyes of shareholders and therefore the CAMs provide me with the insights I need as a shareholder to understanding and signpost where the critical financial risks lie." Another investor wrote: "I would use critical audit matters to focus my fundamental analysis on understanding the issues raised and also as a basis for questions that I would ask management." Investors also mentioned that CAMs provide insights and clarity on the audit process.

- Seven investors said they would not use CAMs in the future. These investors generally said that CAMs do not add more information to what is already disclosed in other parts of the 10-K (e.g., Risk Factors). One investor wrote, "The Risk Factors in the front part of the 10-K should capture all the risks associated with the business, including anything the auditors would specifically call out in their opinion. Thus, the critical audit matters [are] redundant, and in my opinion - not a value added piece."

CAM Perceptions

Overall, most respondents agreed that CAMs provided sufficient details about the audit (60%; see Table 10). Less than half of respondents viewed CAMs as at least somewhat tailored to the audit (40%) or thought that CAMs were easy to understand (44%).

- Twenty-one investors responded to an open-ended prompt asking for their perspectives and opinions on how CAMs could be made more useful. These investors suggested that auditors could use more specific, rather than, generic language in communicating CAMs. Although not included in the CAM requirements, some investors wanted to see more details on the auditor's perspectives of the assumptions made by the company.[14] Other investors mentioned that it would be helpful for auditors to include in CAMs a discussion of the outcome of audit procedures. One investor wrote "I believe critical audit matters could be made more useful if they were to include

[14] The PCAOB issued a public request for comment (RFC) in April 2022 as part of our analysis of the initial impact of the new requirements for auditing accounting estimates and using the work of specialists as audit evidence. In response to the RFC, we received a letter from an industry association that works with investors and companies to address the economic impact of climate change. This letter mainly focused on company and auditor disclosures of climate-related financial risks in the annual reports. The comment letter expressed a similar opinion to investor survey responses. It stated, "Evidence of auditor skepticism is clearer when auditors go beyond identifying critical assumptions and explain how they challenged them. However, we see very little discussion of how auditors have scrutinized management's assumptions, especially for US domiciled companies."

the auditor's perspective about what they found including where estimates and judgements fell on the acceptable range in the eyes of the auditors, and also what was the auditor's materiality threshold."[15]

IV. AUDITOR OUTREACH

In 2020 and 2021, we conducted voluntary surveys of audit firms and engagement partners to evaluate the initial impact of CAM requirements on auditors. Participating firms provided information about the initiatives they undertook to support implementation of the CAM requirements, and engagement partners answered survey questions on the impact of the CAM requirements on individual audits.

- Our 2020 auditor outreach activities focused on evaluating the initial impact of first-time CAM implementation on audits of LAFs. We received completed audit firm surveys from the eight U.S. audit firms with at least 15 LAF issuer clients and 902 complete responses to a web-based survey of engagement partners of these firms.

- Our 2021 outreach focused on: (1) evaluating the initial impact of first-time CAM implementation on audits of non-LAFs and (2) understanding how auditor experiences with CAMs changed in the second year of implementation on audits of LAFs. We received completed audit firm surveys from the eight audit firms that participated in our 2020 outreach and ten additional audit firms, whose issuer audit portfolios comprise mainly (or entirely) of non-LAF clients. In addition, we received 920 complete responses to a web-based survey of engagement partners of these firms.

Audit Firm Survey

Firm-Level Processes

Our 2020 and 2021 audit firm surveys provided information on initiatives audit firms undertook to support implementation of the CAM requirements by audit engagement teams. In 2021, we asked the eight firms that participated in our 2020 outreach to provide information about any updates they made to their CAM-related processes and procedures. These firms each had at least 15 LAF clients in 2020, and we will refer to them as "larger" firms. In 2021, we reached out to 10 additional audit firms whose issuer audit portfolios are predominantly non-LAFs that became subject to the CAM requirements for the first time in their fiscal year 2020 audits.[16] We will refer to these non-LAF focused firms as "smaller" firms. We requested information on the activities these firms undertook to support implementation of the CAM requirements by audit engagement teams. This qualitative information provided an understanding of:

[15] The PCAOB decided not to include materiality disclosure requirements in the auditor's report because disclosure might reduce the element of surprise in the audit and overstate the importance of quantitative rather than qualitative factors in the auditor's overall consideration of materiality. For more information, see Adopting Release at 54.

[16] For the current outreach analysis, we approached the audit firms to gather their insights into the impact of CAM requirements, as well as the initial impact of the new requirements for auditing accounting estimates and using the work of specialists as audit evidence. As a result, in determining the selection of these first-time participants for the current outreach, we considered the extent to which audits conducted by these firms were expected to be impacted by the new estimates and specialists requirements from prior PCAOB inspections. See staff white paper "Stakeholder Outreach on the Initial Impact of New Requirements for Auditing Accounting Estimates and Using the Work of Specialists as Audit Evidence" for further information about our outreach analysis in the interim analysis on estimates and specialists.

(1) differences in implementation approaches between larger and smaller firms, and (2) refinements to CAM-related processes made by larger audit firms in the second year of implementation.

The 2021 survey also asked participating firms to estimate: (1) the number of hours spent to support implementation of the CAM requirements and (2) the number of hours firm personnel spent attending CAM-related training. Some firms used specific charge codes to track hours spent supporting CAM implementation, while others estimated hours by listing the activities involved and having project personnel estimate the level of effort for each. To estimate the number of hours invested in training, firms generally identified specific courses or portions of courses that focused on CAMs and multiplied the length of the CAM-related content by the number of participants enrolled. The data is summarized in Table 2 and Table 3. Finally, we asked all participating firms to provide information on the key challenges they encountered in implementing the CAM requirements.

Firms With Primarily Non-LAF Clients

To assist engagement teams with the implementation of the CAM requirements, firms performed various activities, which included conducting pilot and dry-run programs, creating tools and guidance, training their personnel, establishing networks of CAM subject matter experts and quality reviewers, and developing consultation and review protocols for draft CAM communications. These activities were mostly similar to the ones undertaken by the larger firms prior to the effective date when CAM requirements became applicable for LAF audits.

- **About half of the firms commenced their preparatory work in 2018 or earlier.** Similar to the experience of larger firms as documented in the 2020 Outreach Analysis, smaller firms reported implementing new policies and creating new tools, templates, and practice aids. Some firms used intranet sites to host internal and external resources, including PCAOB Staff Guidance. Some of these firms, particularly triennially inspected firms, also developed implementation timetables to provide engagement teams with direction for when specific CAM-related discussions and procedures should be completed.

- **All firms conducted trainings on implementation of CAM requirements.** Training programs were generally developed in-house, and most firms conducted multiple training sessions.

- **Most of the firms reported conducting dry runs in advance of implementation.** These dry-run programs were somewhat limited in scope, with each firm conducting dry runs on one to 11 engagements. In contrast, larger firms conducted dry runs for most LAF clients prior to the initial CAM effective date.

- **Most of the firms reported that they created a mandatory consultation requirement for all engagements subject to CAMs.** Other firms discussed CAMs during engagement planning meetings or encouraged engagement teams to consult with the National Office for any questions on implementation of the CAM requirements. Firms generally reported monitoring the implementation of the CAM requirements as part of their annual internal inspections.

- **Some firms, particularly those that are triennially inspected and have very few LAF clients reported benefiting from the phased implementation of the CAM requirements.** According to these firms, the phased implementation allowed them to refer their engagement teams to CAM communications made by auditors of LAFs to help build familiarity with the CAM requirements.

Firms With at Least 15 LAF Clients

Following the first year implementing CAM requirements for audits of LAFs, larger firms reported making refinements to their CAM-related processes and practice aids. They also employed additional resources to help their engagement teams implement CAMs on non-LAF audits.

- **Firms improved their CAM-related processes and internal guidance based on lessons learned from implementing CAMs for audits of LAFs.** Some firms took measures to prompt engagement teams to document the basis for the team's determination of whether each matter communicated to the audit committee relating to material accounts or disclosures is a CAM. Some firms continued to maintain networks of CAM subject matter experts and CAM quality reviewers to support engagement teams in implementing the CAM requirements. In addition, some firms no longer required engagement teams to consult when there were no substantive changes to facts and circumstances surrounding the CAMs.

- **Some firms developed additional training sessions and webinars focused on the CAM requirements.** Trainings generally emphasized lessons learned from initial CAM implementation efforts on audits of LAFs, reviewed and provided feedback on actual CAMs developed by engagement teams, and familiarized personnel with changes made to CAM-related firm processes and practice aids.

- **Firms implemented procedures to prepare for CAM implementation on non-LAF audits.** For example, some firms provided specific support for engagement partners implementing CAMs for the first time or increased the number of CAM subject matter experts available to support CAM implementation on non-LAF audits. Some firms also extended dry-run programs previously used for LAF audits to non-LAF audits as well.

Firm-Level Costs

Each of the 18 firms reported the number of hours and the external costs associated with firm-level preparations for CAM implementation, as well as the number of hours its personnel spent attending CAM-related trainings (see **Tables 2a - 2d**). Some firms used specific charge codes to track firm-level hours supporting CAM implementation, while others estimated hours by listing the activities involved and having project personnel estimate the level of effort for each. To estimate the number of hours spent on training, firms generally identified specific courses or portions of courses that focused on CAMs and multiplied the length of the CAM-related content by the number of participants enrolled.

Differences in implementation approach and time spent developing processes and procedures to support CAM implementation as well as training firm personnel likely reflect the phased implementation of the CAM requirements and variation in firms' client portfolios and staffing models.[17]

[17] As of March 31, 2021, we estimate that: (1) Big Four firms each have an average of 818 issuer clients and an average aggregate issuer market capitalization of $11 trillion; (2) the other four annually inspected firms that participated in both the 2020 and 2021 outreach have an average of 181 issuer clients with an average aggregate issuer market capitalization of $212 billion; and (3) the ten smaller participating firms have an average of 139 issuer clients with an average aggregate issuer market capitalization of $36 billion. Data on the number of issuers is based on Form AP filings for issuers with a fiscal year end between April 1, 2020 and March 31, 2021. Data on market capitalization is as of March 31, 2021 and is collected from S&P CapitalIQ. Issuer counts exclude employee benefit plans and investment companies.

Firms With Primarily Non-LAF Clients

Smaller firms spent less time on average in the initial years than the larger firms while undertaking activities to prepare for CAM implementation. These activities involved a greater proportion of partner time compared to the larger firms.

- **Through April 2021, among the 10 smaller firms, the average amount of time spent per firm to implement the CAM requirements was 700 hours (74% at the partner level), and the average amount of time personnel spent attending CAM-related trainings per firm was 1,100 hours (46% at the partner level).**[18] Based on the data on monetized costs provided by eight of the ten second-time participants, we estimate that the cost of this time per firm is, on average, $310,000. We note that the aforementioned averages are influenced by two firms with a relatively large amount of time spent on implementation and personnel training. After excluding these two outliers, the average amount of time spent to implement the CAM requirements was 400 hours (78% at the partner level), while the average amount of time personnel spent attending CAM-related trainings was 600 hours (47% at the partner level). The average cost of this time per firm, excluding the outliers, is estimated to be $185,000.[19]

Firms With at Least 15 LAF Clients

Among audit firms surveyed in 2020 and 2021, costs incurred at the firm level to support engagement team implementation of the CAM requirements have moderated.

- **Through April 2020, among Big Four firms, the average amount of time spent per firm to implement the CAM requirements was 23,000 (53% at the partner level), and the average amount of time personnel spent attending CAM-related trainings per firm was 14,600 hours (32% at the partner level).** Previously, we estimated the average cost of this time to each Big Four firm was $6.5 million.[20] From May 2020 through April 2021, these firms spent on average an additional 3,300 hours (56% at the partner level) on CAM implementation and 900 hours on CAM-related trainings (15% at the partner level).[21] We estimate that the cost of this additional time spent by each Big Four firm is, on average, $764,000.[22]

- **Through April 2020, among the other annually inspected larger firms that participated in our survey, the average amount of time spent per firm to implement CAM requirements was 3,700 hours (41%**

[18] Among the first-time participants, the total number of hours to support implementation ranged from 80 to 2,700 and total training hours ranged from 22 to 6,200. In addition to these hours, on average, these firms incurred $2,900 of external costs (i.e., amounts paid to vendors and consultants) to support implementation of the CAM requirements.

[19] The 2021 firm survey asked firms to monetize the cost of total hours by multiplying total hours by an estimated "blended" hourly compensation rate that takes into account estimates of: (1) the annual gross compensation of individuals that participated in implementation efforts (excluding fringe benefits) and (2) the mix of personnel involved.

[20] This is based on the estimation we reported previously in the 2020 Outreach Analysis. For details of estimation, please refer to the 2020 Stakeholder Outreach White Paper.

[21] Among the Big Four firms, the total number of hours to support implementation ranged from 11,000 to 35,700 and total training hours ranged from 7,500 to 23,600. In addition to these hours, on average, Big Four firms reported incurring $135,000 of external costs (i.e., amounts paid to vendors and consultants) to support implementation of the CAM requirements.

[22] Big Four firms chose not to provide this data. Therefore, we used an estimation process to derive an approximate cost. For a step-by-step explanation of the method used to estimate the cost, see Appendix B, "Monetization of Costs of Additional Time for Big Four Firms."

at the partner level), while the average amount of time personnel spent attending CAM-related trainings per firm was 3,100 hours (30% at the partner level). Previously, we estimated the average cost of this time to each of the other annually inspected firms was $1.4 million.[23] Subsequently, from May 2020 through April 2021, they spent on average an additional total of 700 hours on CAM implementation (77% at the partner level) and 800 hours (24% at the partner level) on CAM-related trainings.[24] Based on the data on monetized costs provided by three of these four firms, we estimate that the cost of this additional time spent by each of the other annually inspected firms that participated in our survey is, on average, $262,000.

Implementation Challenges

We asked each participating firm to provide information on the most significant challenges faced in implementing the CAM requirements. Below are the key themes that emerged from the responses to this question.

- **Seven audit firms reported that engagement teams experienced challenges with ensuring completeness of documentation related to the engagement team's determination of whether each matter communicated to the audit committee is a CAM.**[25] Some audit firms asserted that, for matters that they believe clearly could not be CAMs, the incremental time spent by engagement teams documenting CAM determinations does not provide a commensurate benefit to audit quality. Other firms asserted that engagement teams spent time documenting why matters are not CAMs when other evidence in the working papers would already support such conclusion.[26]

- **Eight audit firms reported that engagement teams experienced challenges in drafting clear, concise, and useful CAMs.** For example, some firms reported that engagement teams experienced challenges (a) striking a balance between providing plain-English descriptions of procedures performed and describing procedures with technical precision and/or (b) providing tailored information specific to the circumstances. Other firms noted challenges ensuring consistency in style, format, and level of detail across engagement teams. Some firms provided assistance (e.g., drafting guides) and support (e.g., CAM subject matter experts and quality reviewers) to assist engagement teams in communicating

[23] This is based on the estimation we reported previously in the 2020 White Paper. For details of estimation, please refer to the 2020 Staff White Paper "Stakeholder Outreach on the Initial Implementation of CAM Requirements".

[24] Among the second time participating other annually inspected firms, the total number of hours to support implementation ranged from 1,650 to 6,600 and total training hours ranged from 2,550 to 5,800. In addition to these hours, on average, these firms incurred $5,000 of external costs (i.e., amounts paid to vendors and consultants) to support implementation of the CAM requirements.

[25] PCAOB standards require auditors to document – for each matter arising from the audit of the financial statements that (a) was communicated or required to be communicated to the audit committee, and (b) relates to accounts or disclosures that are material to the financial statements – whether or not the matter was determined to be a critical audit matter and the basis for such determination (AS 3101.17).

[26] PCAOB standards (AS 3101.17) require auditors to document – for each matter arising from the audit of the financial statements that (a) was communicated or required to be communicated to the audit committee, and (b) relates to accounts or disclosures that are material to the financial statements – whether or not the matter was determined to be a critical audit matter and the basis for such determination. Consistent with the requirements of AS 1215, Audit Documentation, the audit documentation is required to be in sufficient detail to enable an experienced auditor, having no previous connection with the engagement, to understand the determination made to comply with the provisions of AS 3101. The adopting release states "The amount of documentation required could vary with the circumstances. For example, the auditor's basis for the determination may be so clear for some matters that a single sentence will be sufficient. This situation may arise, for instance, when the auditor's documentation prepared in the course of the audit includes sufficient detail about whether or not the matter involved especially challenging, subjective, or complex auditor judgment. Other matters may require more extensive documentation."

informative CAMs. Other firms reported that challenges experienced in drafting CAMs lessened over time as engagement teams gained experience.

- **Two smaller firms reported that some engagement teams experienced challenges in determining whether a matter involved "especially challenging, subjective, or complex auditor judgment."** Discussions with other senior partners within the firm assisted engagement teams in determining whether such matters were CAMs.

Engagement Partner Survey

In summer 2021, we conducted a voluntary survey of engagement partners from the same 18 audit firms. The engagement partner survey presented engagement partners a series of primarily multiple-choice questions about the impact of CAMs on the audit and audited issuer. We conducted a similar survey in 2020, which is described in the 2020 Outreach Analysis. We use data from both the 2020 and 2021 engagement partner surveys to evaluate how the effects of the CAM requirements differ: (1) between the first and second year of implementation on audits of LAFs and (2) between audits of LAFs and non-LAFs.

The survey provided large-sample, first-hand, timely, structured data on the experiences of engagement partners in implementing CAMs. The survey was sent to engagement partners who had, within the past year, served as an audit engagement partner for at least one LAF or one non-LAF audit where the CAM requirements applied.[27] We received 920 complete responses, which included responses from partners of all 18 in-scope audit firms.[28] Of these, 456 served as the engagement partner for only LAF clients, 184 served as the engagement partner for only non-LAF clients, and 280 served as the engagement partner for at least one LAF and at least one non-LAF. The overall response rate was 52% among engagement partners who have at least one LAF client and 29% among engagement partners who have at least one non-LAF client.[29]

The survey asked engagement partners to provide responses regarding their most recently completed audit for which the CAM requirements applied.[30] Partners who reported serving as the engagement partner for both LAF and non-LAF audits were randomly assigned to answer questions about either their most recent LAF or most recent non-LAF audit. Overall, 602 participants answered questions about an LAF audit and 318 answered questions about a non-LAF audit.

[27] Using data from Form AP and Audit Analytics, we estimate the total number of engagement partners who audit LAFs and non-LAFs based on issuer clients with fiscal year-end dates between April 1, 2020 and March 31, 2021.

[28] The 2020 survey population included partners who had, within the past year, either served as the audit engagement partner for at least one LAF or served as the audit engagement partner and conducted a CAM dry run for a non-LAF. We received 902 complete responses to our 2020 survey, which included responses from partners of all eight firms. The overall response rate was 61% among engagement partners who have at least one LAF client.

[29] Engagement partners from first-time participant firms provided 3.5% of responses from audit engagements involving LAFs and 24.8% of responses from audit engagements involving non-LAFs.

[30] The 2020 and 2021 surveys include different samples of engagement partners and issuers, for several reasons. First, the 2021 survey includes additional audit firms, whose partners and issuer clients are not represented in the 2020 survey. Second, the surveys are voluntary and different engagement partners may have chosen to participate in each year. Third, engagement partners may have completed the survey in both years but provided information about different issuer audits due to timing, changes in clients, or survey prompts regarding LAF or non-LAF audits. We did not collect identifying information about engagement partners or issuers, so we do not make direct comparisons on an engagement-by-engagement basis. Instead, we make aggregate comparisons based on the survey responses in each year.

Descriptive statistics show that the characteristics of the engagements that were the subject of our survey are generally consistent with the overall LAF and non-LAF populations (see Table 1). Coupled with the high participation rate, this result increases our level of confidence in the overall findings.

Effects of CAMs on Audit Hours

Engagement partners reported that, on average, audit engagement teams spent 1%-2% of total audit hours on CAM-related activities. Engagement partners of LAFs audits reported spending an average of 109 hours on CAM-related activities (1.1% of total audit hours; see **Table 4**), and those of non-LAFs reported spending an average of 52 hours on CAM-related activities (1.6% of total audit hours).

We examined how CAM-related hours for audit engagements varied across several key variables, including the number of CAMs communicated in the auditor's report, issuer size, audit firm size, and engagement partner experience (see **Table 3**). Among LAF audits, in both the first and second years of CAM implementation, the number of hours spent on CAMs was higher for audits of large issuers (over $10 billion market capitalization), audits conducted by Big Four firms, audits involving more CAMs, and audits conducted by engagement partners with more experience. However, among non-LAF audits, the percentage of total audit hours spent on CAMs generally did not systematically vary with the audit characteristics mentioned. Collectively, for LAF audits, these results suggest that variation in hours spent on CAMs is more reflective of issuer size and underlying audit complexity than other factors. In contrast, among non-LAF audits, the average amount of time spent on CAMs tends to increase with the number of CAMs communicated,[31] but does not demonstrate a clear pattern with respect to issuer size or partner experience. These results may indicate that there is a general baseline of CAM-related hours necessary for all audits, and the necessary hours increase only after a certain threshold of issuer size and audit complexity. This "baseline" may explain why CAM-related hours represent a larger proportion of non-LAF audit hours compared to LAF audits.

Auditors of LAFs were able to realize efficiencies in identifying, developing, and communicating CAMs in the second year of implementation. There is some evidence that the time spent on CAM-related activities decreased in the second year of CAM implementation for audits of LAFs. Audit engagement partners of LAF audits reported that the engagement team spent fewer hours on CAMs in the second year of implementation (86 vs. 108 hours in 2020),[32] although the reported percentage of total audit hours spent on CAMs is 1.1% in both years (see **Table 4**). When asked how the time spent on CAMs changed compared to the prior year audit, half of engagement partners of LAF audits reported that it decreased, 34% reported that it stayed the same, and 16% reported that it increased. There was also a marginal decline in the proportion of LAF partner hours spent on CAMs in the second year. On average, partner hours accounted for 41% of total CAM-related hours in the first year of implementation versus 37% in the second year.

Most engagement team time spent on CAM-related activities occurs prior to the issuer's fiscal year-end. On average, the data suggests that engagement teams auditing LAFs front-load more work on CAMs than those auditing non-LAFs. In the first year of implementation, the percentage of CAM-related hours incurred prior to the issuer's fiscal year-end is 65% for LAF audits and 54% for non-LAF audits. In the first

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[31] Similar to LAF audits, the percentage of total audit hours spent on CAMs generally does not vary with the number of CAMs communicated.

[32] See Appendix E: Engagement Partner Survey Data Collection Instrument, question 3D.1.

year of implementation, the percentage of CAM-related hours performed by personnel at the partner and manager levels were the same for both non-LAF and LAF audits (41% and 50%, respectively).

Effects of CAMs on Auditor/Audit Committee Communication

Prior to the adoption of the CAM requirements, some commenters suggested that the required reporting of CAMs would inhibit communication among the auditor and the audit committee because of concerns about what would be publicly communicated in the auditor's report.[33]

Overall, CAM communications do not constrain communications among auditors and audit committees and may marginally enhance them. Engagement partners of non-LAF audits who participated in our survey reported that CAMs generally had no effect on (66%) or enhanced (32%) the communication with the audit committee. Less than 2% of the respondents believed that CAMs impaired communication with the audit committee. These results are similar to the findings on audits of LAFs reported in the 2020 Outreach Analysis. Among LAF audits, 41% of the engagement partners said that CAM requirements enhanced communication with audit committees, and 58% said that the requirements had no substantive impact on audit committee communications.

Responses to our 2020 and 2021 surveys suggest that the focus of auditor/audit committee discussions on CAMs shifted in the second year of CAM implementation. Engagement partners of non-LAF audits were most likely to report that they discussed (1) reasons why some matters were included as CAMs and others were not, (2) the number and type of CAMs for similar issuers, and (3) edits or wording changes to draft CAMs suggested by management or the audit committee. Engagement partners of LAF audits were most likely to report that they discussed (1) changes in matters identified as CAMs, (2) reasons why some matters were included as CAMs and others were not, and (3) the impact of CAMs on investor expectations. Comparing these results to those reported in the 2020 Outreach Analysis suggests that in the second year in which CAM requirements applied to audits of LAFs, engagement partners and audit committees of LAFs were much less likely to discuss the impact of CAMs on management disclosures and much more likely to discuss the impact of CAMs on investor expectations. About 18% of LAF and non-LAF engagement partners reported discussing the impact of the COVID-19 pandemic on CAMs with the audit committee.

Effects of CAMs on Audit Procedures, Company Disclosures and Processes

As described in the rulemaking release accompanying the CAM requirements, some commenters stated that the information communicated in describing CAMs could potentially be used to challenge the procedures performed or the adequacy of audit evidence obtained by the auditor.[34] To evaluate this possibility, we asked survey participants whether they had made changes to audit procedures and whether those changes were due to the CAM requirements. **In general, engagement partners reported that they did not make changes to the nature, timing, or extent of audit procedures performed due to the requirement to communicate CAMs in the auditor's report.** Less than 1% of non-LAF engagement partners reported making changes to audit procedures due to the CAM requirements. Our 2020 Outreach Analysis also reported a similar finding for LAFs — only 3% of LAF engagement partners reported making changes to audit procedures due to the CAM communication requirements.

[33] See Adopting Release at 91-92.

[34] See Adopting Release at 41.

Also during the rulemaking process, several commenters stated that CAM communications would give auditors leverage to encourage disclosure of information by management. While some commenters asserted that this would be beneficial, others claimed it would be an unintended negative consequence of requiring communication of CAMs.[35] **In the survey, engagement partners reported that some issuers made changes to financial statement disclosures because of auditor communication of CAMs.** Around one-fourth of engagement partners (25% of LAF audits and 23% of non-LAF audits) reported that the issuer made changes to financial statement disclosures or other corporate reporting because of the CAM communications in the respective audit report (see **Table 6**). We included an open-ended question asking engagement partners to describe the nature of the changes issuers made to their disclosures. The majority of partners indicated that issuers either enhanced their disclosures by providing more detail or made minor wording changes to better align disclosures with the CAM communications.[36] Overall, partners reported that most of the changes made to issuer disclosures were relatively modest (e.g., some partners reported that issuers made minor wording changes to ensure consistency between financial statement disclosures and CAM communications). Some partners reported that issuers added additional detail to their disclosures (e.g., further breaking down amounts disclosed in the financial statements, enhancing or expanding disclosure of key assumptions and estimates). Some partners reported that issuers used the implementation of the CAM requirements as an opportunity to refresh their disclosures of risk factors, critical accounting policies, and critical accounting estimates, including by increasing the clarity of the disclosures or eliminating disclosures that did not meet disclosure criteria.

Engagement partners generally report that issuers did not make changes to internal control over financial reporting (ICFR) as a result of the CAM communications. Similar to the results from the 2020 Outreach Analysis, very few engagement partners (less than 2%) reported that issuers made changes to ICFR because of auditor communication of CAMs. In contrast, a recent academic working paper (Dee et al. (2021)) finds that auditors report fewer material weaknesses in ICFR following an account-specific CAM communications, indicating that issuers and auditors increase scrutiny of internal controls in CAM-related areas.

Other Engagement Partner Comments on CAMs

We provided engagement partners with the opportunity to provide additional feedback on the impact of CAMs through an open-ended question at the end of the engagement partner survey, and 142 respondents (15%) provided comments. Although more than half of the responses are not favorable to the CAM requirements, it is possible that engagement partners with a particularly strong opinion were more likely to respond to this question. We identified several common themes in responses to the open-ended question:

- **Sixty-three engagement partners asserted that the information presented in CAMs provides little value to investors or financial statement users. Among these partners, six also added that audit committees focused less on CAMs in their communications with the auditors particularly in the**

[35] See id. at 93.

[36] Comment letters received from preparers in response to the PCAOB's 2020 public request for comment on initial implementation of the CAM requirements asserted that CAMs did not result in significant changes to company disclosures. OERA's structured interviews with preparers and audit committees in 2020 generated similar findings. Emerging academic research also finds that CAMs are associated with changes in issuer disclosures. Burke et al. (2021) find evidence using textual analysis that CAMs are associated with changes in financial statement footnotes referenced by CAMs. In addition, Drake et al. (2021) find that the communication of a tax-related CAM can mitigate tax-related earnings management.

second year of implementation.[37] They posited that much of the information was either already disclosed by the issuer, for example in Management Discussion and Analysis (MD&A). Some partners (7) also said that CAM disclosures are boilerplate, particularly for those that are recurring or correspond to companies in similar industries.

- **Eight engagement partners said that the engagement team felt pressure to identify at least one CAM even though they did not believe that any individual matter fully met the definition of a CAM**.[38] For example, one engagement partner expressed concern about being an outlier by reporting zero CAMs.

- **Although fewer than in the 2020 Outreach Analysis, some engagement partners (4) reported that audit committees exhibited a preference that their CAMs be similar to others in the same industry**.[39] It is possible that these pressures, over time, may contribute to standardization of CAM communications.

- **Seven engagement partners said that the engagement team spent a significant amount of time documenting the basis for their determinations of whether each matter communicated to the audit committee is a CAM**.[40] Three engagement partners asserted that they intentionally reduced the quantity of matters communicated to the audit committee to avoid the need to document matters that are clearly not CAMs. Four engagement partners mentioned that time spent drafting CAMs and on CAM-related documentation, particularly at the senior executive level, could have been better used on other important audit activities.

- **Three engagement partners reported that their CAM-related work became more focused and efficient in the second year as the engagement teams became more familiar with the CAM requirements and CAM identification process**.

V. INTERVIEWS OF AUDIT COMMITTEE CHAIRS AND FINANCIAL STATEMENT PREPARERS

We conducted interviews with 12 audit committee chairs and nine financial statement preparers (whose titles included Chief Financial Officer, Chief Accounting Officer, and Controller) from a total of 13 audit engagements (representing four audits of LAFs and nine non-LAFs).[41] The interviews were designed to provide an in-depth understanding of preparer and audit committee chair perspectives and experiences with their auditors' implementation of the CAM requirements as the CAM requirements became more broadly applicable to both LAF and non-LAF audits. The goal was to identify: (1) potential differences in LAF and non-LAF audit committee chair and preparer experiences with their auditor's implementation of

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[37] In the 2020 Outreach Analysis, 67 respondents to the open-ended question expressed similar views.

[38] In the 2020 Outreach Analysis, 19 respondents to the open-ended question expressed similar views (14%).

[39] In the 2020 Outreach Analysis, 7 respondents to the open-ended question expressed similar views (5%).

[40] These responses are in contrast with the broader engagement partner survey data, which suggests that, on average, engagement teams spend 1%-2% of total audit hours on CAM-related activities, with the majority of this time spent prior to the issuer's fiscal year-end.

[41] Previously, to help inform our 2020 interim analysis on the initial impact of CAM requirements, between September 2019 and February 2020, we conducted interviews with 12 audit committee chairs and 10 financial statement preparers of LAFs. More information can be found in the 2020 Stakeholder Outreach White Paper.

the CAM requirements, and (2) how audit committee chair and preparer experiences and perspectives related to CAMs changed over time.

We used a structured interview guide to conduct the interviews. The interview format is well-suited to gathering data about preparer and audit committee experiences with CAM implementation because it allowed us to obtain open-ended, nuanced responses and follow up on novel or interesting comments to learn specifically how the requirements impacted issuers in different audit scenarios. Interviews were conducted via conference calls. All interviews took place from September 2021 through March 2022. The research team and RAND, a non-profit research organization, took detailed notes on each interview. These notes were thematically coded and analyzed using the NVivo software platform. Most of the findings from our 2021-2022 interviews are similar to the ones from the 2020 Outreach Analysis. In a few places where they are different, we identify them separately as we summarize the key themes from our 2021-2022 interviews below.

Preparing for CAM Implementation

Audit committee chairs and preparers interviewed reported that upfront preparation by auditors contributed to a generally smooth experience for non-LAFs. Preparers and audit committee chairs of all non-LAFs reported that their auditors began discussions on CAMs in 2019, whereas some of those of LAFs indicated that initial discussions took place much earlier, for example, when the new requirements were adopted in 2017. This likely reflects the phased implementation of CAM requirements for LAF and non-LAF audits. Some (three non-LAFs and one LAF out of 13 audit engagements) of the participants particularly noted that their auditors conducted a formal dry run. This is in contrast with our 2020 Outreach Analysis, which found that most participants' auditors (eight out of the 12 LAF engagements) did the same. Most of the participants who went through a dry run thought that it was useful in preparing for their auditor's implementation of the CAM requirements and understanding what to expect. For example, one preparer stated, "I thought it was very helpful because we really engaged the audit committee to a much higher level…Made a big difference."

Communications with Auditors

There is also no evidence that CAM implementation substantively changed the nature of or constrained communication between auditors and their clients. Most respondents across both LAFs and non-LAFs asserted that the CAM requirements did not substantively change the nature of their discussions with the auditor, although some noted an incremental increase in the level of focus or attention around topics designated as CAMs. For example, one audit committee chair of a non-LAF noted, "We do ask critical questions of the auditors during audit committee meetings, but I think it had us take a step back a little, say "what about this, what about this?'" However, audit committee chairs of some LAFs indicated that the breadth of conversations with their auditors around CAMs in the second year of implementation shrank after the initial learning curve. For example, one audit committee chair of a LAF noted, "It was more of an updating conversation than dialogue to be honest." Another audit committee chair said, "It's important, but it's among many things that are important. [It has] become more routine." None of the participants said that CAMs "chilled" communications or negatively impacted relationships with the auditor.

Audit committee chairs and preparers of both LAFs and non-LAFs generally supported the auditor's determination of which audit matters should be designated as CAMs, and most participants reported providing minimal feedback to their auditors regarding CAM language. However, audit committee chairs and preparers of some LAFs and non-LAFs mentioned that they were interested in understanding how their CAMs compared with their peer companies. For example, one preparer noted, "[T]here were certainly a lot of questions from the audit committee about those items…just more general curiosity about what are other companies doing, how are we matching up, have we aligned with what other people are doing, are there things that are outliers?" Another preparer stated, "We were curious about companies in general… We were fairly in line with other companies."

Effects of CAMs on Audit and Financial Reporting Quality

Regardless of the filer statuses of the issuers they represented, participants generally believed that there was either no change or a slight increase in audit quality because of implementation of CAM requirements. For example, one audit committee chair stated, "On audit quality, I don't think there should be any change as a result of the CAMs. Maybe gives the auditor a little more emphasis on getting it absolutely, positively well documented." Similarly, most participants said that CAMs did not impact financial reporting quality, although a few indicated that CAMs may have marginally enhanced it. For example, one preparer said, "I guess you can say [financial reporting quality] is improved because the focus on that specific area has been a little more focused. But I wouldn't say it was a huge drastic change to the financials. But I'd say that we're more focused and the auditors are more focused, and it's disclosed."

None of the preparers reported making significant changes to company disclosures because of CAMs. However, audit committee chairs of some LAFs and non-LAFs stated that CAMs led to in-depth discussions with management over CAM topics, changes to financial statement wording, and ultimately more robust disclosures. For example, one audit committee chair of a LAF noted, "It changed several areas, including MD&A and liquidity, to better describe what they are, so shareholders and investors would understand." Another audit committee chair of a non-LAF also added support to this by saying, "Probably no numerical changes, maybe more robust disclosure." In addition, most preparers said that they did not make changes to their financial reporting processes or controls because of CAMs. For example, one preparer shared, "No changes were made. With our control and structure, those didn't result in any additional changes we needed to make." Initially not all participants were comfortable with their auditors "making a narrative for them". But eventually none of the interviewees expressed concerns regarding the release of information about the companies by their auditors that were not previously made public by the companies themselves.

Perspectives on Investor Use of CAMs

No participants reported receiving direct investor feedback on CAMs, but some said that CAMs could provide value to investors (e.g., by helping to emphasize significant audit and accounting issues for investors). For example, one preparer shared, "I, personally as an investor, think that they're helpful to the reader. …It's brought down to a language the investors should be able to read and understand. So, I think they're helpful." Similarly, another preparer shared: "I think there's value to investors getting a little more robust discussion from our auditors. … I always thought it was a good idea in that sense. The opinion has always been boilerplate, says it's reasonable. This added more color to what [auditors] do, where they focus their time, what they see as risks."

Costs to Issuers

Although interviewees representing some LAFs and non-LAFs reported some costs associated with their auditor's CAM implementation (e.g., management time, increased audit fees), almost all said that such costs were minimal or immaterial. For example, one preparer said, "I'd say from a staffing perspective, there was definitely additional time spent adding new controls, documenting review, and then [audit firm] adding some analysis and additional questions yearly. But it wasn't anything that I'd say was a material cost to us." We reported similar findings in the 2020 Outreach Analysis. Another audit committee chair also said, "I didn't see any additional costs. I would imagine if they had to do some additional work related to costs as a result of CAMs, they would have come back with a request for additional billings and that never happened."

APPENDIX A: TABLES

TABLE 1: Engagement Characteristics – Engagement Partner Survey

Issuer variables	LAFs (Year 1) survey respondents[42]	LAFs (Year 2) survey respondents[43]	All LAFs	Non-LAFs (Year 1) Survey respondents	All non-LAFs
Market capitalization (non-LAFs):				(N=316)[44]	
Less than $2 million				3.5%	2.9%
$2 to $25 million				6.7%	12.4%
$25 to $200 million				30.0%	31.3%
$200 to $500 million				37.3%	16.5%
More than $500 million				22.5%	36.9%
Market capitalization (LAFs):	(N=839)	(N=601)			
Less than $2 billion	28.3%	22.8%	25.9%		
$2 billion to $10 billion	42.1%	45.1%	42.5%		
More than $10 billion	29.7%	32.1%	31.6%		
Issuer industry sector:	(N=840)	(N=601)		(N=316)	
Communication services	2.3%	2.5%	5.1%	2.9%	4.8%
Consumer discretionary	6.7%	9.3%	11.0%	7.3%	8.5%
Consumer staples	5.2%	4.8%	4.1%	2.9%	3.4%
Energy	7.1%	7.5%	5.7%	10.8%	8.3%
Financials	16.0%	17.5%	16.8%	20.0%	20.4%
Health care	9.6%	10.2%	12.8%	10.8%	16.9%
Industrials	13.9%	12.3%	13.9%	8.2%	11.3%
Information technology	13.0%	10.1%	13.7%	6.0%	11.4%
Materials	1.6%	1.8%	6.6%	1.9%	5.6%
Real estate	8.2%	7.3%	6.7%	6.3%	5.0%
Utilities	2.4%	1.8%	3.6%	4.1%	4.4%
Other	14.1%	14.1%	N/A[45]	19.0%	N/A%
Audit Engagement Variables					
Completed a dry run	80.1% (N=839)	N/A	N/A	69.5% (N=315)	N/A
Number of CAMs:	(N=838)	(N=601)		(N=316)	
0	0.4%	0.7%	0.7%	9.8%	12.3%
1	46.9%	53.9%	52.3%	55.1%	60.2%
2	38.5%	33.0%	32.8%	29.1%	21.8%
3	11.8%	9.7%	11.1%	5.7%	4.6%
4	2.2%	2.7%	2.5%	0.3%	0.8%
5 or more	0.2%	0.2%	0.6%	0.0%	0.3%

[42] Year 1 refers to the first year when the CAM requirements became applicable for a particular issuer.

[43] Year 2 refers to the second year of CAM implementation, particularly by LAFs.

TABLE 2: Time Spent to Support CAM Implementation[46]

TABLE 2a: Average Hours Spent on CAM Implementation – Firms With Primarily Non-LAF Clients

Calendar year	Annually inspected firms	Triennially inspected Firms	All first-time participants
2018 and prior	113	145	151
2019	225	196	219
2020	280	248	277
Through April 2021	138	39	62
Total hours	**755**	**628**	**653**
Percentage of hours by personnel level			
Partner	80%	73%	74%
Manager	20%	25%	24%
More junior staff	-	3%	2%

TABLE 2b: Average Hours Spent by Firm-Personnel Attending CAM-Related Training – Firms With Primarily Non-LAF Clients

Calendar year	Annually inspected firms	Triennially inspected firms	All first-time participants
2018 and prior	75	235	203
2019	199	338	310
2020	248	624	548
Through April 2021	41	64	60
Total hours	**562**	**1,261**	**1,121**
Percentage of hours by personnel level			
Partner	25%	48%	46%
Manager	25%	35%	34%
More junior staff	50%	17%	20%

[44] "N" denotes the number of respondents for each question included in the analysis.

[45] All issuers fall under one of the industry sectors listed; however, engagement partners completing the survey may have chosen the "Other" option if they were uncertain about the overall industry category.

[46] Hours reported here are estimated by the firms and include time spent: (1) developing, implementing, or revising firm-level audit policies, procedures, methodology, tools, guidance, review processes, and other infrastructure directly related to CAMs, (2) developing training directly related to CAMs, (3) engaging in CAM-related discussions or consultations with engagement teams (if hours were not charged to individual audit engagements), and (4) monitoring implementation of the CAM requirements by individual engagement teams (if hours were not charged to individual audit engagements). Hours do not include hours recorded at the individual engagement level (e.g., engagement team hours spent on CAMs, national office hours spent on CAMs and recorded at the engagement level).

TABLE 2c: Average Hours Spent on CAM Implementation – Firms With at Least 15 LAF Clients

Calendar year	Big Four		Other annually inspected firms	
2017	1,976		143	
2018	9,886		1,403	
2019	9,111		1,738	
January 2020 - April 2020[47]	1,997		418	
Subtotal hours	22,970		3,700	
May 2020 - April 2021	3,332		653	
Total hours	**26,302**		**4,353**	
Percentage of hours by personnel level				
	2020 Survey	**2021 Survey**	**2020 Survey**	**2021 Survey**
Partner	53%	56%	41%	77%
Manager	41%	36%	54%	22%
More junior staff	7%	8%	5%	1%

TABLE 2d: Average Hours Spent by Firm-Personnel Attending CAM-Related Training – Firms With at Least 15 LAF Clients

Calendar year	Big Four		Other annually inspected firms	
2017	1,079		142	
2018	5,290		1,406	
2019	7,902		1,501	
Through April 2020	329		71	
Subtotal hours	14,600		3,120	
May 2020 - April 2021	921		797	
Total hours	**15,520**		**3,917**	
Percentage of hours by personnel level				
	2020 Survey	**2021 Survey**	**2020 Survey**	**2021 Survey**
Partner	32%	15%	30%	24%
Manager	60%	35%	48%	41%
More junior staff	8%	51%	22%	35%

[47] Since the 2020 Firm Survey was conducted in June 2020, we asked the firms to provide data up to April 2020.

TABLE 3: Variation in CAM Effort

Table 3a: Variation in CAM Effort by Issuer Market Capitalization

Issuer market capitalization (LAFs)	Small (<$2B)	Medium ($2-10B)	Large (>$10B)		
Year 1					
Hours spent on CAMs	88.0 (N=234)	101.0 (N=352)	140.3 (N=245)		
Percentage of audit hours spent on CAMs	1.2% (N=234)	1.2% (N=352)	0.9% (N=243)		
Year 2					
Hours spent on CAMs	68.8 (N=136)	83.1 (N=270)	103.5 (N=193)		
Percentage of audit hours spent on CAMs	1.3% (N=136)	1.1% (N=269)	1.0% (N=193)		
Issuer market capitalization (Non-LAFs Year 1)	<$2 million	$2-$25 million	$25-$200 million	$200-$500 million	>$500 million
Hours spent on CAMs	50.0 (N=11)	36.6 (N=19)	65.5 (N=92)	42.7 (N=114)	55.1 (N=71)
Percentage of audit hours spent on CAMs	1.2% (N=10)	2.1% (N=19)	1.2% (N=92)	1.8% (N=114)	1.5% (N=71)

TABLE 3b: Variation in CAM Effort by Firm Size

Firm size	Big Four	Other annually inspected firms[48]	Triennially inspected firms
LAFs (Year 1)			
Hours spent on CAMs	112.4 (N=759)	72.2 (N=72)	
Percentage of audit hours spent on CAMs	1.1% (N=727)	1.3% (N=72)	
LAFs (Year 2)			
Hours spent on CAMs	90.0 (N=519)	66.0 (N=64)	50.0 (N=16)
Percentage of audit hours spent on CAMs	1.1% (N=518)	1.3% (N=64)	1.6% (N=16)
Non-LAFs (Year 1)			
Hours spent on CAMs	62.3 (N=156)	47.6 (N=95)	32.5 (N=56)
Percentage of audit hours spent on CAMs	1.2% (N=155)	1.9% (N=95)	2.1% (N=56)

TABLE 3c: Variation in CAM Effort by Number of CAMs

Number of CAMs	0	1	2	3+
LAFs (Year 1)				
Hours spent on CAMs	58.3 (N=3)	96.0 (N=392)	114.0 (N=319)	139.7 (N=117)
Percentage of audit hours spent on CAMs	0.8% (N=3)	1.1% (N=391)	1.1% (N=318)	1.1% (N=117)
LAFs (Year 2)				
Hours spent on CAMs	37.5 (N=4)	72.7 (N=322)	98.2 (N=198)	116.7 (N=75)
Percentage of audit hours spent on CAMs	1.5% (N=4)	1.2% (N=321)	1.0% (N=198)	1.0% (N=75)
Non-LAFs (Year 1)				
Hours spent on CAMs	27.1 (N=29)	55.0 (N=171)	52.1 (N=89)	68.1 (N=18)
Percentage of audit hours spent on CAMs	1.5% (N=29)	1.6% (N=170)	1.5% (N=89)	1.6% (N=18)

TABLE 3d: Variation in CAM Effort by Partner Experience

[48] Observations in “LAFs (Year 1)” are responses from the four in-scope non Big Four firms participated in the 2020 survey. Observations in “LAFs (Year 2)” and “Non-LAFs (Year 1)” are responses from the six in-scope non Big Four firms participated in the 2021 survey.

Partner Experience	<3 years	3-5 years	6-10 years	11-15 years	16-20 years	20+ years
LAFs (Year 1)						
Hours spent on CAMs	93.1 (N=22)	90.8 (N=103)	99.7 (N=183)	101.5 (N=226)	119.9 (N=157)	135.2 (N=133)
Percentage of audit hours spent on CAMs	1.1% (N=22)	1.2% (N=103)	1.3% (N=183)	1.0% (N=226)	1.1% (N=155)	1.0% (N=133)
LAFs (Year 2)						
Hours spent on CAMs	60.5 (N=19)	79.1 (N=61)	79.0 (N=164)	83.6 (N=139)	98.2 (N=122)	98.9 (N=93)
Percentage of audit hours spent on CAMs	1.0% (N=19)	1.2% (N=60)	1.2% (N=164)	1.1% (N=139)	1.0% (N=122)	1.0% (N=93)
Non-LAFs (Year 1)						
Hours spent on CAMs	55.8 (N=25)	55.2 (N=59)	47.3 (N=88)	54.3 (N=56)	54.3 (N=37)	52.1 (N=42)
Percentage of audit hours spent on CAMs	2.0% (N=24)	1.8% (N=59)	1.3% (N=88)	1.5% (N=56)	1.3% (N=37)	1.8% (N=42)

TABLE 4: Engagement-Level CAM Effort

Variable	Average amount reported	
	LAFs (Year 1)	LAFs (Year 2)
Hours spent on CAMs	108.9 (N=831)	86.4 (N=599)
Percentage of total audit hours spent on CAMs	1.1% (N=829)	1.1% (N=598)
Percentage of CAM-related hours incurred before issuer's fiscal year end	65.4% (N=827)	61.3% (N=599)
<u>Hours spent on CAMs compared to prior year:</u>		(N=564)
Increased	N/A	16.0%
Stayed the same	N/A	33.7%
Decreased	N/A	50.4%
<u>Percentage of CAM-related hours at each level:</u>	(N=814)	(N=584)
Partner	40.7%	36.7%
Manager	50.0%	52.1%
More junior staff	9.3%	11.2%
	Non-LAFs (dry runs)	Non-LAFs (Year 1)
Hours spent on CAMs	59.6 (N=249)	52.3 (N=307)
Percentage of total audit hours spent on CAMs	1.0% (N=249)	1.6% (N=306)
Percentage of CAM-related hours incurred before issuer's fiscal year end	70.3% (N=248)	54.0% (N=302)
<u>Percentage of CAM-related hours at each level:</u>		
Partner	41.0% (N=245)	41.0% (N=294)
Manager	51.8% (N=245)	50.3% (N=294)
More junior staff	7.2% (N=245)	8.7% (N=294)

TABLE 5a: Effect of CAMs on Quality Communications With Audit Committees

Variable	LAFs (Year 1)	LAFs (Year 2)	Non-LAFs (Year 1)
	(N=834)	(N=600)	(N=308)
CAMs significantly enhanced communication with the audit committee	2.0%	N/A	1.3%
CAMs slightly enhanced communication with the audit committee	38.6%	N/A	31.2%
CAMs had no substantive impact on communication with the audit committee	57.7%	N/A	65.9%
CAMs slightly impaired communication with audit committee	1.4%	N/A	1.3%
CAMs significantly impaired communication with audit committee	0.2%	N/A	0.3%

TABLE 5b: Effect of CAMs on Topics Discussed with Audit Committees

Variable	LAFs (Year 1)	LAFs (Year 2)	Non-LAFs (Year 1)
	(N=834)	(N=600)	(N=308)
Changes in matters identified as CAMs	N/A	85.2%	N/A
Reasons why some matters were included as CAMs and others were not	97.5%	70.7%	88.6%
The number and type of CAMs for similar issuers	86.7%	14.2%	74.4%
Impact of COVID-19 on CAMs	N/A	18.5%	18.2%
Edits or wording changes to draft CAMs suggested by management or the audit committee	22.3%	4.5%	23.1%
Impact of CAMs on management disclosures	42.0%	3.2%	10.7%
Impact of CAMs on investor expectations	21.5%	52.5%	2.9%

TABLE 6: Effect of CAMs on Issuers (LAF Audits)

Variable	Proportion of respondents		
	LAFs (Year 1)	LAFs (Year 2)	Non-LAFs (Year 1)
	(N=835)	(N=598)	(N=312)
CAMs were reviewed by financial statement preparers	96.4%	95.8%	87.2%
CAMs were reviewed by internal or external legal counsel	63.0%	57.5%	43.3%
CAMs were reviewed by investor relations	18.6%	15.9%	9.3%
Issuer made changes to financial statement disclosures or other corporate reporting because of CAM communications	38.9%	25.3%	23.4%
Issuer made changes to its ICFR because of CAM communications	2.2%	1.3%	1.6%

TABLE 7: Investor Characteristics – Investor Survey

Variable	Proportion of respondents
Professional investors (N=53)	50.9%
Financial analyst (professional investors only) (N=27)	37.0%
Buy-side analyst (Financial analysts only) (N=10)	70.0%
Sell-side analyst (Financial analysts only) (N=10)	10.0%
10+ Years of financial analysis experience (professional investors only) (N=27)	96.3%
10+ Years of investment experience (non-professional investors only) (N=26)	88.5%

TABLE 8: Investor Awareness of CAMs

Variable	Proportion of respondents
Have heard of CAMs (N=53)	75.5%
Have seen CAMs (N=53)	56.6%
Have read CAMs (N= 53)	47.2%

TABLE 9: Current Investor CAM Use (Among Investors Who Have Read CAMs)

Used CAMs to:	Proportion of respondents
Analyze or compare companies to make investment decisions (N=25)	32.0%
Identify risks associated with a given company (N=25)	80.0%
Focus on key reporting issues or areas (N=25)	56.0%
Better understand disclosures made by company management (N=25)	60.0%
Better understand the work of the auditor, such as the areas where they highlighted auditing issues to company management (N=25)	36.0%
Assess the quality of a company's audit (N=25)	40.0%
Develop questions for earnings calls to discuss with management (analysts only) (N=10)	10.0%
Write internal recommendations (buy-side analysts only) (N=6)	50.0%

TABLE 10: Investor CAM Perceptions

Investor type	Read CAMs (N=25)
CAMs provided sufficient details about the audit[49]	60.0%
CAMs were tailored to specific company's audit[50]	40.0%
CAMs were easy to understand[51]	44.0%

TABLE 11: Most Common CAM Topics Reported (Among Investors Who Have Read CAMs)

CAM topic	Proportion of respondents (N=25)
Revenue Recognition	72.0%
Goodwill and Other Intangible Assets	48.0%
Accruals and Reserves	32.0%
Uncertain Tax Positions	32.0%
Business Combinations	24.0%

[49] Proportion of respondents who selected either "The detail was sufficient" or "The detail was somewhat sufficient" in response to the question "Do you think those critical audit matters provided sufficient detail about the audit?"

[50] Proportion of respondents who selected either "Very tailored" or "Somewhat tailored" in response to the question "How tailored did they seem to that company's audit?"

[51] Proportion of respondents who selected either "Very easy" or "Somewhat easy" in response to the question "Overall, were those CAMs easy or hard to understand?"

APPENDIX B: MONETIZATION OF COSTS OF ADDITIONAL TIME FOR BIG FOUR FIRMS

We calculated cost estimates associated with: (1) the time spent by Big Four firms on firm-level activities to implement the CAM requirements, and (2) the time Big Four firm personnel spent attending training directly related to the CAM requirements. We developed cost estimates by using adjusted compensation estimates from an SEC release. To assess the potential cost of Regulation S-X Rule 2-06, Retention of Records Relevant to Audits and Reviews, the SEC estimated that the annual compensation was $500,000 and $125,000 for a partner and a non-partner firm personnel, respectively, as of January 2003. Using the Employment Cost Index (ECI) from the Bureau of Labor Statistics, the estimated annual compensation for a partner and a non-partner firm personnel is approximately $773,574 and $193,394, respectively, as of October 2021.[52]

To estimate the average cost of firm-level hours spent by Big Four firms to implement the CAM requirements and time spent by personnel to attend training, we multiply average hours by estimated hourly compensation rates. Assuming average annual compensation of $773,574 ($193,394) for a partner (non-partner firm personnel), and 2,600 work hours per year (50 hours per week and 52 weeks per year), the estimated hourly compensation rate of a partner (non-partner firm personnel) is $298 ($74). Using these rates, we estimate that the average cost of firm-level activities to implement the CAM requirements is approximately $665,000 per firm (3,332 × 56% × $298 + 3,332 × 44% ×$74), and the average cost for personnel to attend CAM training is approximately $99,000 per firm (921 × 15% × $298 + 921 × 85% × $74). Therefore, the average total cost is $665,000 + $99,000 = $764,000 per firm.

[52] See U.S. Securities and Exchange Commission, Retention of Records Relevant to Audits and Reviews, January 27, 2003, at footnote 75, available at https://www.sec.gov/rules/final/33-8180.htm (accessed October 14, 2021); and Bureau of Labor Statistics, Employment Cost Index, Financial activities industry, available at https://www.bls.gov/web/eci/echistrynaics.pdf (accessed October 14, 2021).

APPENDIX C: AUDIT FIRM SURVEY DATA COLLECTION INSTRUMENT (FIRMS PARTICIPATING IN 2020 SURVEY)

Introduction

Thank you for your participation in this data collection effort. In 2020, the Public Company Accounting Oversight Board (PCAOB) released an interim analysis report on the initial impact of critical audit matter (CAM) requirements. Your firm completed a questionnaire on CAM implementation costs in 2020 which contributed to the development of this report. The interim analysis is part of the PCAOB's ongoing evaluation of the overall effect of the CAM requirements. By participating in this additional data collection effort, you will continue to help the PCAOB understand the impact of CAMs on auditors.

This questionnaire is NOT associated with an audit inspection conducted by PCAOB's Division of Registration and Inspections. Participation in this study is voluntary.

Survey responses will not be reported at the individual or firm level in any publication from this study.

Questionnaire

1. Firm name:

2. Please provide a brief update on how the firm has supported implementation of the CAM requirements. Please describe only developments since your 2020 submission, including:
   - Any changes made to firm-level audit policies, procedures, methodology, tools, guidance, review processes, and other infrastructure directly related to CAMs
   - Any changes to the firm's CAM consultation requirements or support provided to individual engagement teams
   - Any additional CAM-related trainings
   - Any changes in how the firm monitored implementation of the CAM requirements by individual engagement teams

3. As compared to audits of large accelerated filers (LAFs), please describe any differences in how the firm supported implementation of the CAM requirements on audits of non-LAFs.

4. In 2020, your firm provided an analysis of (1) the total firm-level hours incurred, and (2) any external costs for implementing the CAM requirements. Using the table below, please provide information on any additional time or costs your firm incurred to implement the CAM requirements since June 2020. If your firm did not specifically track these hours, please provide your best estimate. Please include costs for:
   - Developing, implementing, or revising firm-level audit policies, procedures, methodology, tools, guidance, review processes, and other infrastructure directly related to CAMs
   - Developing and conducting additional training directly related to CAMs (please exclude time spent by individuals attending the training)
   - Engaging in CAM-related discussions or consultations with engagement teams, if hours were not charged to individual audit engagements

- Monitoring implementation of the CAM requirements by individual engagement teams, if hours were not charged to individual audit engagements

Please do NOT include costs recorded at the individual engagement level (e.g., engagement team hours, national office hours recorded at the engagement level).

Calendar Year	Hours Incurred	Cost (external spend only)
2017		
2018		
2019		
Through April 2020		
May 2020 – April 2021		
Total hours		
Monetized cost of total hours*		

* To monetize the cost of total hours, please multiply total hours by an estimated "blended" hourly compensation rate that takes into account estimates of: (1) the annual gross compensation of individuals that participated in implementation efforts (excluding fringe benefits) and (2) the mix of personnel involved.

5. For hours incurred between May 2020 and April 2021 in your response to question 4 above, please describe the main activities on which this time was spent.

6. Of the hours incurred between May 2020 and April 2021 in your response to question 4 above, what percent would you estimate, on average, were performed by personnel at the following levels?

    a. Partner
    b. Manager
    c. More junior staff

7. In 2020, your firm provided an analysis of the total amount of time firm personnel spent attending training on CAMs. Using the table below, please provide information on any additional time firm personnel spent attending training on CAMs. If your firm did not specifically track these hours, please provide your best estimate. Please do NOT include costs recorded at the individual engagement level.

Calendar Year	Training Hours
2017	

2018	
2019	
Through April 2020	
May 2020 – April 2021	
Total training hours	
Monetized cost of total training hours*	

* To monetize the cost of total training hours, please multiply total training hours by an estimated "blended" hourly compensation rate that takes into account estimates of: (1) the annual gross compensation of individuals that participated in the training (excluding fringe benefits) and (2) the mix of personnel involved.

8. Of the training hours invested between May 2020 and April 2021 in your response to question 7 above, what percent would you estimate, on average, were spent by personnel at the following levels?

    a. Partner
    b. Manager
    c. More junior staff

9. Please describe your process for developing any estimates in your responses to questions 4-8. Please describe challenges you encountered or assumptions you made in responding to those questions.

10. Taking into account all experiences to date, what were the biggest challenges your firm faced in implementing the CAM requirements?

11. In general, to what extent did the CAM requirements result in changes to audit fees?

APPENDIX D: AUDIT FIRM SURVEY DATA COLLECTION INSTRUMENT (FIRMS NOT PARTICIPATING IN 2020 SURVEY)

Introduction

Thank you for your participation in this data collection effort being conducted by the staff of the Public Company Accounting Oversight Board (PCAOB). The purpose of the questionnaire is to obtain information on firm-level costs of implementing critical audit matter (CAM) requirements. In 2020, the PCAOB released an interim analysis report on the initial impact of the CAM requirements. The interim analysis is part of the PCAOB's ongoing evaluation of the overall effect of the CAM requirements. By participating in this data collection effort, you will help the PCAOB further understand the impact of CAMs on auditors.

This questionnaire is NOT associated with an audit inspection conducted by PCAOB's Division of Registration and Inspections. Participation in this study is voluntary.

Survey responses will not be reported at the individual or firm level in any publication from this study.

Questionnaire

1. Firm name:

2. Please briefly describe your firm's approach to preparing for and implementing the CAM requirements. For the following list of activities, as well as any similar activities not listed, please describe processes that were implemented and the phases of implementation/ associated timeframe.
    - Developing and implementing firm-level audit policies, procedures, methodology, tools, guidance, review processes, and other infrastructure directly related to CAMs
    - Developing and conducting training
    - Designing and conducting any pilot or dry-run programs (if your firm conducted pilot or dry-run programs, please describe the scope of the program(s) and the number of engagement teams involved in the process)
    - Engaging in CAM-related discussions or consultations with engagement teams
    - Monitoring implementation of the CAM requirements by individual engagement teams

3. If your firm performs audits of large accelerated filers (LAFs), please describe, in no more than one page, how the firm supported the implementation of the CAM requirements on these audits in the second year of implementation. In particular, please describe:
    - Any changes made to firm-level audit policies, procedures, methodology, tools, guidance, review processes, and other infrastructure directly related to CAMs
    - Any changes in the firm's CAM consultation requirements or support provided to individual engagement teams
    - Any additional CAM-related trainings
    - Any changes in how the firm monitored implementation of the CAM requirements by individual engagement teams

4. Relative to audits of LAFs, please describe any differences in how the firm prepared for and implemented the CAM requirements on audits of non-LAFs. You may skip this question if your firm does NOT perform audits of LAFs.

5. Please provide (1) the total firm-level hours incurred, and (2) any external costs for implementing the CAM requirements. If your firm did not specifically track these hours, please provide your best estimate. Please include costs for:
   - Developing and implementing firm-level audit policies, procedures, methodology, tools, guidance, review processes, and other infrastructure directly related to CAMs
   - Developing and conducting training directly related to CAMs (please exclude time spent by individuals attending the training)
   - Designing any pilot and dry-run programs
   - Conducting any pilots or dry runs, if hours were not charged to individual audit engagements
   - Engaging in CAM-related discussions or consultations with engagement teams, if hours were not charged to individual audit engagements
   - Monitoring implementation of the CAM requirements by individual engagement teams, if hours were not charged to individual audit engagements

   Please do NOT include costs recorded at the individual engagement level (e.g., engagement team hours, national office hours recorded at the engagement level).

Calendar Year	Hours Incurred	Cost (external spend only)
2018 and prior		
2019		
2020		
Through April 2021		
Total hours		
Monetized cost of total hours*		

   * To monetize the cost of total hours, please multiply total hours by an estimated "blended" hourly compensation rate that takes into account estimates of: (1) the annual gross compensation of individuals that participated in implementation efforts (excluding fringe benefits) and (2) the mix of personnel involved.

6. Of the aggregate hours included in your response to question 5, please describe the main activities on which this time was spent.

7. Of the aggregate hours included in your response to question 5, what percent would you estimate, on average, were performed by personnel at the following levels?

   a. Partner

    b. Manager
    c. More junior staff

8. Please provide the total amount of time firm personnel spent attending training on CAMs. If your firm did not specifically track these hours, please provide your best estimate. Please do NOT include costs recorded at the individual engagement level.

Calendar Year	Training Hours
2018 and prior	
2019	
2020	
Through April 2021	
Total training hours	
Monetized cost of total training hours*	

* To monetize the cost of total training hours, please multiply total training hours by an estimated "blended" hourly compensation rate that takes into account estimates of: (1) the annual gross compensation of individuals that participated in the training (excluding fringe benefits) and (2) the mix of personnel involved.

9. Of the aggregate training hours included in your response to question 8, what percent would you estimate, on average, were spent by personnel at the following levels?
    a. Partner
    b. Manager
    c. More junior staff

10. Please describe your process for developing any estimates in your responses to questions 5-9. Please describe challenges you encountered or assumptions you made in responding to those questions.

11. Taking into account all experiences to date, what were the biggest challenges your firm faced in implementing the CAM requirements?

12. In general, to what extent did the CAM requirements result in changes to audit fees?

APPENDIX E: ENGAGEMENT PARTNER SURVEY DATA COLLECTION INSTRUMENT

Section 1: Introduction

Engagement Partner Survey on CAMs

Welcome, and thank you for your interest.

This study is being conducted by staff of the Public Company Accounting Oversight Board (PCAOB) to gather information about the effect of critical audit matter (CAM) requirements on auditors. In 2020, the PCAOB released an interim analysis report on the initial impact of the CAM requirements. The interim analysis is part of the PCAOB's ongoing evaluation of the overall effect of the CAM requirements.

By participating in this survey, you will help the PCAOB further understand auditor experiences with CAMs.

This survey is NOT associated with an audit inspection conducted by the PCAOB's Division of Registration and Inspections.

Participation in this study is voluntary. You may withdraw at any time. Your survey responses will not be linked to your personal information, and responses will not be reported at the individual or firm level in any publication from this study.

The survey should take no longer than 20 minutes to complete. If you have any questions, please contact your firm's designated individual or Carrie von Bose at the PCAOB (vonbosec@pcaobus.org).
[next]

Throughout this survey, if you want to change an answer to a previous question, use the "back" button at the bottom of the page. Do not use your browser's back button.

Your progress during the survey is saved automatically. If you are unable to finish the survey in one sitting, you can use the link you received in your email to continue.
[next]

Section 2: Engagement Partner Information

Q 2. 1. How many total years of experience do you have as a partner?

a. Less than 3 years
b. 3-5 years
c. 6-10 years
d. 11-15 years
e. 16-20 years
f. More than 20 years

Q 2. 2. [Required] In the past year, for how many large accelerated filers (LAFs) did you serve as an engagement partner?

a. 0
b. 1
c. 2
d. 3
e. 4 or more

Q 2. 3. [Required] In the past year, for how many non-large accelerated filers (non-LAFs) did you serve as an engagement partner **where the CAM requirements applied**?

a. 0
b. 1
c. 2
d. 3
e. 4 or more

[TERMINATE if Q 2. 2 = 0 and Q 2. 3 = 0]

[If Q 2. 2 = 0 and Q 2. 3 > 0, skip to Section 4A: Engagement Information (For EPs who audited non-LAFs in the past year)]

[If Q 2. 2 > 0 and Q 2. 3 > 0, randomly assign only one from Section 3A and 4A]

Section 3A: Engagement Information [For EPs who audited LAFs in the past year]

[If Q 2. 2>0 and Q 2. 3 = 0] or [Randomly assigned if Q 2. 2 > 0 and Q 2. 3 > 0]

Think back to the most recently completed LAF audit for which you served as the engagement partner.

Q 3A. 1. Is this the first year that your firm has audited this issuer?

a. Yes
b. No

Q 3A. 2. [If Q3A.1 = b] Including the most recently completed audit, how many years have you served as the engagement partner for this engagement?

a. 1
b. 2
c. 3
d. 4
e. 5

Q 3A. 3. What is the approximate market capitalization of the issuer as of the issuer's most recent fiscal year end?

a. Less than $2 billion
b. $2 billion to $10 billion
c. More than $10 billion

Q 3A. 4. Which industry sector best describes the issuer? [Industries listed in brackets will appear as mouseover text]

a. Communication Services [Telecommunication Services, Media & Entertainment]

b. Consumer Discretionary [Automobiles & Components, Consumer Durables & Apparel, Consumer Services, Retailing]
c. Consumer Staples [Food & Staples Retailing, Food, Beverage & Tobacco, Household & Personal Products]
d. Energy [Energy]
e. Financials [Banks, Diversified Financials, Insurance]
f. Health Care [Healthcare Equipment & Services, Pharmaceuticals, Biotechnology & Life Sciences]
g. Industrials [Capital Goods, Commercial & Professional Services, Transportation]
h. Information Technology [Software & Services, Technology Hardware & Equipment, Semiconductors & Semiconductor Equipment]
i. Materials [Materials]
j. Real Estate [Real Estate]
k. Utilities [Utilities]
l. Other

Q 3A. 5. How many CAMs were communicated in the audit report for this issuer?

a. 0
b. 1
c. 2
d. 3
e. 4
f. 5 or more

Section 3B: Audit Procedures [For EPs who audited LAFs in the past year]

[If Section 3A was shown]

Please continue to think back again to the most recently completed LAF audit for which you served as the engagement partner.

Q 3B. 1. When in the audit process did you first write a draft of CAMs that were communicated in the audit report?

a. 3 or more months before the issuer's fiscal year end
b. 1-3 months before the issuer's fiscal year end
c. 0-1 month before the issuer's fiscal year end
d. After the issuer's fiscal year-end
e. Not applicable; no CAMs were communicated

Q 3B. 2. Based on your interactions with the issuer, which of the following occurred? (Select all that apply)

a. CAMs were reviewed by financial statement preparers
b. CAMs were reviewed by internal or external legal counsel
c. CAMs were reviewed by investor relations
d. Issuer made changes to financial statement disclosures or other corporate reporting because of CAM communications
e. Issuer made changes to its ICFR because of CAM communications

f. None of the above [selecting this option clears all others]

Q 3B. 3. [If Q 3B. 2 = d] Please briefly describe the nature of changes that the issuer made to financial statement disclosures or other corporate reporting due to CAM communications.
[Open-ended]

Q 3B. 4. [If Q 3B. 2 = e] Please briefly describe the type of changes that the issuer made to its ICFR because of CAM communications.
[Open-ended]

Q 3B. 5. [If Q 3A. 1 = b] Compared to the prior year audit, which of the following statements about the number of CAMs communicated in the most recent audit is true?

a. Number of CAMs increased
b. Number of CAMs decreased
c. Number of CAMs remained the same

Q 3B. 6. [If Q 3A. 1 = b and Q 3B.5. = c] Compared to the first year of CAM implementation, how did the CAM topics change in the second year?

a. All CAM topics were different
b. Some CAM topics were different and some were the same
c. All CAM topics were the same

Section 3C: Communication (For EPs who audited LAFs in the past year)

[If Section 3A was shown]

The following questions focus on your interactions with the <u>audit committee</u> for the most recently completed <u>LAF</u> audit for which you served as the engagement partner.

Q 3C. 1. Which of the following CAM-related topics did you discuss with the audit committee of the issuer? (Select all that apply)

a. Changes in matters identified as CAMs
b. Reasons why some matters were included as CAMs and others were not
c. The number and type of CAMs for similar issuers
d. Impact of COVID-19 on CAMs
e. Edits or wording changes to draft CAMs suggested by management or the audit committee
f. Impact of CAMs on management disclosures
g. Impact of CAMs on investor expectations
h. None of the above
i. Other (Please specify)

Section 3D: CAM-Specific Costs (For EPs who audited LAFs in the past year)

[If Section 3A was shown]

Please continue to think back to the most recently completed <u>LAF</u> audit for which you served as the engagement partner.

Q 3D. 1. For this audit, how many hours do you estimate the engagement team spent specifically on CAMs? Please include time spent identifying, drafting, and reviewing CAMs; preparing documentation related to the determination of whether a matter is a CAM; drafting communications related to CAMs; and engaging in CAM-related discussions with national office resources, management, and the audit committee. Please include time that was charged to the engagement by national office staff. Please exclude time spent participating in CAM training.

a. 50 or fewer hours
b. 51-100 hours
c. 101-150 hours
d. 151-200 hours
e. 201-400 hours
f. More than 400 hours

Q 3D. 2. What percentage of total audit hours would you estimate were spent on CAMs?

a. Less than 1%
b. 1-2%
c. 2-3%
d. More than 3%

Q 3D. 3. [If Q 3A. 1 = b] How did CAM-related hours change relative to the prior year audit?

a. Hours spent increased
b. Hours spent decreased
c. Hours spent remained about the same
d. Don't know

Q 3D. 4. What percent of the work hours specifically associated with CAMs would you estimate were performed by personnel at the following levels? Please include engagement team and national office personnel at each level.

a. Partners [___%]
b. Managers [___%]
c. More junior staff [___%] [all answers must add up to 100%]

Q 3D. 5. Of the work hours specifically associated with CAMs, what percent would you estimate were performed prior to the issuer's fiscal year end?

a. 0-20%
b. 20-40%
c. 40-60%
d. 60-80%
e. 80-100%

Section 3E: Other (For EPs who audited LAFs in the past year)

[If Section 3A was shown]

Q 3E. 1. Is there anything else you would like to share with us about your experiences with the CAM requirements?

[Open-ended]

Section 4A: Engagement Information (For EPs who audited non-LAFs in the past year)

[If Q 2. 2 = 0 and Q 2. 3 > 0] or [Randomly assigned if Q 2. 2 > 0 and Q 2. 3 > 0]

Please think back to the most recently completed non-LAF audit where the CAM requirements applied for which you served as the engagement partner.

Q 4A. 1. Is this the first year that your firm has audited this issuer?

a. Yes
b. No

Q 4A. 2. [If 4A.1 = b] Including the most recently completed audit, how many years have you served as the engagement partner for this engagement?

a. 1
b. 2
c. 3
d. 4
e. 5

Q 4A. 3. What is the approximate market capitalization of the issuer as of the issuer's most recent fiscal year end?

a. Less than $2 million
b. $2 million to less than $25 million
c. $25 million to less than $200 million
d. $200 million to $500 million
e. More than $500 million

Q 4A. 4. Which industry sector best describes the issuer? [Industries listed in brackets will appear as mouseover text]

a. Communication Services [Telecommunication Services, Media & Entertainment]
b. Consumer Discretionary [Automobiles & Components, Consumer Durables & Apparel, Consumer Services, Retailing]
c. Consumer Staples [Food & Staples Retailing, Food, Beverage & Tobacco, Household & Personal Products]
d. Energy [Energy]
e. Financials [Banks, Diversified Financials, Insurance]
f. Health Care [Healthcare Equipment & Services, Pharmaceuticals, Biotechnology & Life Sciences]
g. Industrials [Capital Goods, Commercial & Professional Services, Transportation]
h. Information Technology [Software & Services, Technology Hardware & Equipment, Semiconductors & Semiconductor Equipment]
i. Materials [Materials]
j. Real Estate [Real Estate]
k. Utilities [Utilities]
l. Other

Q 4A. 5. How many CAMs were communicated in the audit report for this issuer?

a. 0
b. 1
c. 2
d. 3
e. 4
f. 5 or more

Q 4A. 6. Did the engagement team complete a CAMs “dry run” for this issuer before the new CAM requirements took effect? In this instance, “dry run” means that the engagement team drafted and discussed CAMs with the issuer’s audit committee and/or management for a fiscal year preceding the year in which CAMs were required to be communicated.

a. Yes
b. No
c. I don’t know

Section 4B: Audit Procedures (For EPs who audited non-LAFs in the past year)

[If Section 4A is shown]

Please continue to think back to the most recently completed <u>non-LAF</u> audit where the CAM requirements applied for which you served as the engagement partner.

Q 4B. 1. For matters identified as CAMs, were there changes in the nature, timing, or extent of audit procedures performed compared to prior year audits (when the CAM requirements were not in effect)?

a. Yes
b. No
c. I don’t know

Q 4B. 2. [If Q 4B. 1 = a] What was the reason for the change in the nature, timing, or extent of audit procedures performed? (Select all that apply)

a. Procedures changed due to the requirement to communicate CAMs
b. Procedures changed due to changes in the engagement team’s identification and assessment of risks of material misstatement
c. Procedures changed due to changes in the issuer’s business
d. Procedures changed due to new accounting requirements
e. Procedures changed due to changes in your firm’s policies or practices
f. Procedures changed for some other reason (Please specify:___________)

Q 4B. 3. When in the audit process did you first write a draft of CAMs that were communicated in the audit report?

a. 3 or more months before the issuer’s fiscal year end
b. 1-3 months before the issuer’s fiscal year end
c. 0-1 month before the issuer’s fiscal year end
d. After the issuer’s fiscal year-end
e. Not applicable; no CAMs were communicated

Q 4B. 4. Based on your interactions with the issuer, which of the following occurred? (Select all that apply)

a. CAMs were reviewed by financial statement preparers
b. CAMs were reviewed by internal or external legal counsel
c. CAMs were reviewed by investor relations
d. Issuer made changes to financial statement disclosures or other corporate reporting because of CAM communications
e. Issuer made changes to its ICFR because of CAM communications
f. None of the above [selecting this option clears all others]

Q 4B. 5. [If Q 4B. 4 = d] Please briefly describe the nature of changes that the issuer made to financial statement disclosures or other corporate reporting due to CAM communications.

[Open-ended]

Q 4B. 6. [If Q 4B. 4 = e] Please briefly describe the type of changes that the issuer made to its ICFR because of CAM communications.

[Open-ended]

Section 4C: Communication (For EPs who audited non-LAFs in the past year)

[If Section 4A is shown]

The following questions focus on your interactions with the <u>audit committee</u> for the most recently completed <u>non-LAF</u> audit where the CAM requirements applied for which you served as the engagement partner.

Q 4C. 1.Which of the following CAM-related topics did you discuss with the audit committee of the issuer? (Select all that apply)

a. Reasons why some matters were included as CAMs and others were not
b. The number and type of CAMs for similar issuers
c. Impact of COVID-19 on CAMs
d. Edits or wording changes to draft CAMs suggested by management or the audit committee
e. Impact of CAMs on management disclosures
f. Impact of CAMs on investor expectations
g. None of the above
h. Other (please specify)

Q 4C. 2. In your opinion, how did the communication of CAMs change the nature of discussion with the audit committee of the issuer?

a. Significantly enhanced communication with the audit committee
b. Slightly enhanced communication with the audit committee
c. Had no substantive impact on communication with the audit committee
d. Slightly impaired communication with the audit committee
e. Significantly impaired communication with the audit committee

Section 4D: CAM-Specific Costs (For EPs who audited non-LAFs in the past year)

[If Section 4A is shown]

Please continue to think back to the most recently completed <u>non-LAF</u> audit where the CAM requirements applied for which you served as an engagement partner.

Q 4D. 1. For this audit, how many hours do you estimate the engagement team spent specifically on CAMs? Please include time spent identifying, drafting, and reviewing CAMs; preparing documentation related to the determination of whether a matter is a CAM; drafting communications related to CAMs; and engaging in CAM-related discussions with national office resources, management, and the audit committee. Please <u>include</u> time that was charged to the engagement by national office staff. Please <u>exclude</u> time spent participating in CAM training and conducting dry runs.

a. 20 or fewer hours
b. 21-50 hours
c. 51-80 hours
d. 81-120 hours
e. 121-200 hours
f. More than 200 hours

Q 4D. 2. What percentage of total audit hours would you estimate were spent on CAMs?

a. Less than 1%
b. 1-2%
c. 2-3%
d. More than 3%

Q 4D. 3. What percent of the work hours specifically associated with CAMs would you <u>estimate</u> were performed by personnel at the following levels? Please include engagement team and national office personnel at each level.

a. Partners [___%]
b. Managers [___%]
c. More junior staff [___%] [all answers must add up to 100%]

Q 4D. 4. Of the work hours specifically associated with CAMs, what percent would you estimate were performed prior to the issuer's fiscal year end?

a. 0-20%
b. 20-40%
c. 40-60%
d. 60-80%
e. 80-100%

Section 4E: Other (For EPs who audited non-LAFs last year)

[If Section 4A was shown]

Q 4E. 1. Is there anything else you would like to share with us about your experiences with the implementation or the impact of the CAM requirements?

[Open-ended]

Your responses have been submitted. Thank you for your participation.

APPENDIX F: INVESTOR SURVEY DATA COLLECTION INSTRUMENT

Module A: Introduction

Survey on Investor Protection and Auditor Oversight

Welcome, and thank you for your interest. This study is being conducted by staff of the Public Company Accounting Oversight Board (PCAOB), a nonprofit corporation established by Congress to oversee the audits of public companies in order to protect investors and further the public interest.

The objective of this survey is to gather the perspectives of investors on audit requirements aimed at enhancing investor protection. Participation in this study is voluntary and your responses will be used anonymously for research purposes. You may withdraw at any time.

PCAOB staff have asked NORC at the University of Chicago, our independent research contractor, to help conduct this research. The Institutional Review Board (IRB) of NORC at the University of Chicago has approved this study. We expect that this survey will take 5-10 minutes to complete.

[next]

Throughout this survey, if you want to change an answer to a previous question, please use the “back” button at the bottom of the page. Do not use your browser’s back button.

[next]

Module B: Eligibility screening

First, we have a few questions about you.

After this question, skip forward to Q7 (ineligible) if 1 is selected.

1. Thinking about your investment research, select the statement that best reflects what you do. [Note: response required]
   ___ I do not research investments [1]
   ___ I research investments only for my personal investment accounts [2]
   ___ I research investments only for clients/my job [3]
   ___ I research investments both for my own personal accounts and for clients/my job [4]

2. [If Q1 = 3 or 4] Are you professionally employed as a financial analyst?
   ___ Yes [1]
   ___ No [2]

3. [If Q2 = 1] Are you a buy-side analyst, sell-side analyst, or neither?
   ___ Buy side [1]
   ___ Sell side [2]
   ___ Neither [3]

After these three questions, create embedded variables to distinguish between retail vs. professional investors, analysts vs. non-analysts, and sell-side vs. buy-side, following the logic below.

- Professional = 1 if Q1 = 3 or 4. Professional = 0 otherwise.
- Analyst = 1 if Q2 = 1. Analyst = 0 otherwise. If a respondent skipped question 2, assume that they are not an analyst.
- Buy-side = 1 if Q3 = 1. Buy-side = 0 otherwise. If a respondent skipped question 3, assign them to 0.
- Sell-side = 1 if Q3 = 2. Sell-side = 0 otherwise. If a respondent skipped question 3, assign them to 0.

[Display If Q1 = 4] For the remainder of this survey, please think only about research you perform for clients/your job when providing answers to questions.

After this question, skip forward to Q5 (ineligible) if 1 or 3 are not selected.

4. How would you characterize the type of research you perform to analyze companies or make investment decisions? Please select all that apply. [Note: response required]

    ___ I examine the financial performance of companies through analysis of profitability, leverage, liquidity, operating efficiency, etc. (commonly known as “fundamental analysis”) [1]

    ___ I examine patterns of price movement, trading volume, and other trading signals of companies (commonly known as “technical analysis”) [2]

    ___ I examine companies’ governance, ESG criteria, and/or other issues as outlined in my firm’s proxy voting or investment stewardship guidelines (commonly referred to as “governance analysis”) [3]

    ___ I don’t examine specific companies or stocks [4] [note: selecting this value should clear selections above]

    ___ None of the above [5] [note: selecting this value should clear selections above]

The following question is only displayed to participants who were determined to be ineligible.

5. Thank you for your interest in participating in this study. Unfortunately, you are not eligible for our study at this time. This study is focused on investors who conduct fundamental or governance analysis of public companies.

    However, we may be interested in contacting you with additional opportunities to participate in research, or to receive materials that may be of interest to you. If you are willing to be contacted, please provide your contact information below and indicate which opportunities interest you. Such participation is completely voluntary.

    Name: [open text box]
    Email address: [open text box, email logic]

    I am interested in: (select all that apply)

    ___ Answering follow-up questions regarding this survey
    ___ Participating in other research (such as interviews or surveys)
    ___ Receiving educational materials or other investor-oriented communications
    ___ Other, please specify: [open text box]

[End of survey for participants who are ineligible]

Module C: Effects of Critical Audit Matters (CAMs) and perceptions of CAMs among users

Our next set of questions deals with communication of critical audit matters by an auditor in the auditor's report.

Critical audit matters are intended to enhance the auditor's report by providing audit-specific information that is meaningful to investors and other financial statement users.

The purpose of critical audit matters is to shed light on certain matters in an audit that involved especially challenging, subjective, or complex auditor judgment, and the response that the auditor had to those matters.

1. Before starting this survey, had you heard about critical audit matter requirements?
   ___ Yes [1]
   ___ No [2]
   ___ I'm not sure [3]

2. [If Q1 = 1] Have you seen any critical audit matter communications? [Note: response required]
   ___ Yes [1]
   ___ No [2]
   ___ I'm not sure [3]

3. [If Q2 = 1] For approximately how many companies have you read or analyzed critical audit matter communications in the past 12 months? [Note: response required]
   ___ 0
   ___ 1
   ___ 2-5
   ___ 6-10
   ___ 11 or more
   ___ I'm not sure

If Q1C = 2 or 3, or if Q2C = 2 or 3, or if Q3C=0, skip to section D. If they have read 1 or more, continue with section C.

For the next few questions, think about the company for which you most recently reviewed critical audit matters.

4. What were the topics of the critical audit matters that you read for that company? Please select all that apply.
   ___ Revenue Recognition
   ___ Goodwill and Other Intangible Assets

___ Business Combinations
___ Accruals and Reserves
___ Allowance for Loan Losses
___ Property, Plant, and Equipment
___ Other Liabilities
___ Uncertain Tax Positions
___ Commitments and Contingencies
___ Real Estate
___ Other Assets and Deferred Costs
___ Deferred Income Taxes
___ Other, please specify: [open text box]
___ I'm not sure

5. Overall, were those critical audit matters easy or hard to understand?
   ___ Very easy
   ___ Somewhat easy
   ___ Neither easy nor difficult
   ___ Somewhat difficult
   ___ Very difficult
   ___ I'm not sure

6. How tailored did they seem to that company's audit?
   ___ Very tailored
   ___ Somewhat tailored
   ___ Neither tailored nor generic
   ___ Somewhat generic
   ___ Very generic
   ___ I'm not sure

7. Do you think those critical audit matters provided sufficient detail about the audit?
   ___ The detail was sufficient
   ___ The detail was somewhat sufficient
   ___ The detail was not sufficient
   ___ I'm not sure

[If Q1C > 1] **Next, we will ask you about some ways that you may have used critical audit matters. Please think about all of the critical audit matters you have seen when answering the next set of questions.**

8. Have you used critical audit matters for any of the following reasons? (Select all that apply)

Analyzing or comparing companies to make investment decisions	o
Identifying risks associated with a given company	o
Focusing on key reporting issues or areas	o
Better understanding disclosures made by company management (e.g., in MD&A)	o

Better understanding the work of the auditors such as the areas where they highlighted auditing issues to company management	o
Assessing the quality of a company's audit	o
Developing questions for earnings calls to discuss with management [show only if analyst = 1]	o
Writing analyst reports [show only if sell-side=1]	o
Writing internal recommendations [show only if buy-side=1]	o
Making proxy voting decisions (i.e., ratifying audit committee's choice of external auditor) [show only if analyst = 1]	o
Some other reason (please specify: _____________)	o
None of the above [note: selecting this value should clear selections above]	o

9. To what extent has auditor communication of critical audit matters made you more confident about the quality (e.g., transparency, accuracy) of a company's financial statements?
   ___ Not at all
   ___ A little
   ___ A moderate amount
   ___ A lot
   ___ A great deal
   ___ I'm not sure

Please think now about whether you would use critical audit matters in the future.

10. In a few words, please give us two reasons why you would, or would not, use critical audit matters in the future.
    [open text box]

11. How do you think critical audit matters could be made more useful?
    [open text box]

Module D: Demographics and wrap up

Finally, we have some questions about you.

1. [If professional = 1] How many years of financial analysis experience do you have?
   ___ 0-2
   ___ 3-5
   ___ 6-9
   ___ 10 or more

2. [If professional = 0] How many years of investment experience do you have?
   ___ 0-2
   ___ 3-5
   ___ 6-9

___ 10 or more

3. [If professional = 1] Which of the following best describes your professional activities? (Mark all that apply)
   ___ Asset management
   ___ Commercial banking
   ___ Investment banking
   ___ Investment advisory services
   ___ Credit rating analysis
   ___ Other financial services
   ___ Something else (please specify): [open text box]

4. [If buy-side = 1] What is the approximate value of your firm's assets under management?
   ___ Under $500 million
   ___ $500 million - $1 billion
   ___ $1-100 billion
   ___ $100-500 billion
   ___ $500-999 billion
   ___ $1 trillion or more

[next]

Module E: Thank you

We may be interested in contacting you with additional opportunities to participate in research or to receive materials that may be of interest to you. If you are willing to be contacted, please provide your contact information below and indicate which opportunities interest you. Such participation is completely voluntary.

Name: [open text box]
Email address: [open text box, email logic]

I am interested in: (select all that apply)
___ Answering follow-up questions regarding this survey
___ Participating in other research (such as interviews or surveys)
___ Receiving educational materials or other investor-oriented communications
___ Other, please specify: [open text box]

Thank you again for your participation in this study. If you have any further comments, or if there is anything else that you would like us to know, please feel free to provide your thoughts below (optional).
[open text box]

[End of survey]

If you have an interest in learning more about the PCAOB and our work, please visit our investor page: https://pcaobus.org/Pages/Investors.aspx.

APPENDIX G: AUDIT COMMITTEE CHAIR AND FINANCIAL STATEMENT PREPARER INTERVIEW GUIDES

Audit Committee Chair Interview Protocol – Non-LAF

1. Starting with CAMs, if I could ask you first of all about preparatory activities, thinking back, prior to current year audit, do you recall any discussions with [AUDITOR], or activities [AUDITOR] may have performed, to prepare for CAM implementation at [ISSUER]?
    a. [IF NEEDED] What were the nature of those discussions and/or activities?
    b. [IF APPLICABLE] Overall, how did the process go? Did you find it helpful?
2. Thanks for that. Now I'd like to turn to the most recent audit for the year-ended December 31, 2020. Could you describe for me the interactions you had with [AUDITOR] around CAMs as part of this year's audit?
3. In terms of audit committee meetings with [AUDITOR], from your perspective, did CAMs have any effect on those meetings?
    a. [IF NEEDED] As compared to pre-CAM years, did audit committee members ask different types of questions regarding the underlying audit approach or accounting?
    b. [IF NEEDED] Did the CAMs influence at all the nature or the depth of discussion about the issues that were the subject of the CAMs?
    c. Did CAMs impact the nature of your communications with [AUDITOR] in any other ways in comparison to pre-CAM years?
4. In the drafting process, did the audit committee give any specific feedback to [AUDITOR] about the CAM(s) that [AUDITOR] planned to communicate?
    a. [IF APPLICABLE] Did that feedback affect how [AUDITOR] ultimately communicated the CAMs in the audit report? If so, how?
    b. Did you have conversations with [AUDITOR] about how [ISSUER's] CAMs compare to CAMs communicated in the audit reports of other peer group companies?
5. [IF NEEDED] Taking into account everything we've just talked about, how (if at all) would you say CAMs have affected your working relationship or your communications with [AUDITOR]?
6. We've talked about the audit committee's interactions with [AUDITOR]. I want to ask you now about the audit committee's interactions with management. So here, did the communication of CAMs result in any conversations with management about potential changes to financial statement disclosures referenced in CAMs and, if so, could you describe the nature of those conversations for me?
    a. Did the auditor's communication of CAMs result in any changes to disclosures management made in the 10-K?
    b. Did CAMs have any other effects on the audit committee's interactions with the [ISSUER] management team?
7. Stepping back, taking into account everything you've just told me about CAM implementation by [AUDITOR] at [ISSUER], do you think CAMs have affected in any other ways how you as an audit committee chair approach your role (either in terms of how you oversee the auditor, or in terms of how you oversee [ISSUER'S] financial reporting and internal control) at [ISSUER]?

8. I’d like to move on to the topic of costs now. Overall, for [ISSUER], from your perspective as an audit committee chair, what would you say the main costs related to CAMs have been?
9. Overall, how much time so you estimate the audit committee spent related to [AUDITOR’S] implementation of CAMs?
   a. [IF APPLICABLE] What was that time mainly spent on?
   b. [IF APPLICABLE] Would you expect to invest the same level of time in future years? [IF NEEDED] Why or why not?
10. Did [ISSUER] experience a change in audit fees because of CAMs?
    a. [IF FEE CHANGE and IF APPLICABLE] Did the change in fees relate to work performed by [AUDITOR] to prepare for CAM implementation, or for the most recent audit, or both?
    b. [IF FEE CHANGE] Do you recall the amount of additional fees you incurred?
    c. [IF FEE CHANGE] To what extent were those amounts reflective of time [AUDITOR] spent to develop CAM communications versus time they would have spent any way to perform audit work over underlying issues?
    d. [IF FEE CHANGE] Would you expect the additional fees you incurred this year related to CAMs to be one time or more recurring in nature?
11. Other than audit fees, are you aware of any other costs that we haven’t mentioned yet (either internal or external) that [ISSUER] incurred and are associated with CAMs? For example, are you aware of any changes to internal management processes because of CAMs or any other types of cost?
    a. [IF YES] Would you expect those costs to recur or diminish over time?
12. I’d like to ask you now about your perspectives on any impacts of CAMs on audit and financial reporting quality. Overall, how do you think audit and financial reporting quality has changed, if at all, because of CAMs?
13. That wraps up all the questions I have for you today on CAMs, [NAME]. Before we turn to the new PCAOB audit requirements around estimates and specialists though, is there anything else that you’d like to share with me regarding the impact of CAMs on [ISSUER] or the audit committee?

Audit Committee Chair Interview Protocol – LAF

1. If we could focus first of all though on preparatory activities for CAMs, could you summarize for me how [AUDITOR] engaged with the audit committee in implementing the CAM requirements?
   a. [IF NEEDED] What were the nature of those discussions and/or activities?
   b. [IF APPLICABLE] Overall, how did the process go? Did you find it helpful?
2. Thanks for that. And, in terms of audit committee meetings with [AUDITOR], from your perspective, did CAMs have any effect on those meetings?
   a. [IF NEEDED] As compared to pre-CAM years, did audit committee members ask different types of questions regarding the underlying auditing approach or accounting?
   b. [IF NEEDED] Did the CAMs influence at all the nature or the depth of discussion about the issues that were the subject of the CAMs?
   c. Did CAMs impact the nature of your communication with [AUDITOR] in any other ways in comparison to pre-CAM years?

3. [SUMMARIZE PERSPECTIVES ON PRIOR QUESTION] If you could compare for me now experiences between the first and second year of CAM communications, how if at all would you say audit committee discussions around CAMs changed between year 1 and year 2?
    a. What conversations did you have with [AUDITOR] around potential changes they were considering related to [ISSUER's] CAMs for the second year?
    b. Did you have conversations with [AUDITOR] about how [ISSUER's] CAMs compare to CAMs communicated in the audit reports of other peer group companies?
4. [IF NEEDED] Taking into account everything we've just talked about, how (if at all) would you say CAMs have affected your working relationship or your communications with [AUDITOR]?
5. We've talked about the audit committee's interactions with [AUDITOR]. I want to ask you now [NAME] about the audit committee's interactions with management. So here, did the communication of CAMs result in any conversations with management about potential changes to financial statement disclosures referenced in CAMs and, if so, could you describe the nature of those conversations for me?
    a. [IF APPLICABLE] Did those conversations arise in the first year of CAM communications, the second year of CAM communications, or both?
    b. Did the auditor's communication of CAMs result in any other changes to disclosures management made in the 10-K?
    c. [IF APPLICABLE] When were those changes made?
    d. Did CAMs have any other effects on the audit committee's interactions with the [ISSUER] management team?
6. Stepping back, taking into account everything you've just told me about CAM implementation by [AUDITOR] at [ISSUER], do you think CAMs have affected in any other ways how you as an audit committee chair approach your role (either in terms of how you oversee the auditor, or in terms of how you oversee [ISSUER'S] financial reporting and internal control) at [ISSUER]?
7. I'd like to move on to the topic of costs now. Overall, for [ISSUER], from your perspective as an audit committee chair, what would you say the main costs related to CAMs have been?
    a. [IF APPLICABLE] Were those costs different between the first and second year of CAM implementation?
8. Overall, how much time so you estimate the audit committee spent related to [AUDITOR'S] implementation of CAMs?
    a. [IF APPLICABLE] What was that time mainly spent on?
    b. [IF NEEDED] Was the amount of time different between the first and second year of CAM communications? [IF NEEDED] Why was that?
9. Did [ISSUER] experience a change in audit fees because of CAMs?
    a. [IF FEE CHANGE] Did the change in fees apply only to the first year of CAMs implementation or to both the first and second years?
    b. [IF FEE CHANGE] Do you recall the amount of additional fees you incurred?
    c. [IF FEE CHANGE] To what extent were those amounts reflective of time [AUDITOR] spent to develop CAM communications versus time they would have spent any way to perform audit work over underlying issues?

d. [IF FEE CHANGE] Would you expect there would be further changes to fees because of CAMs in future years?

10. Other than audit fees, are you aware of any other costs that we haven't mentioned yet (either internal or external) that [ISSUER] incurred and are associated with CAMs?
    a. [IF YES] Did [ISSUER] experience those costs in the first year of CAM implementation, the second year of CAM implementation, or both?
    b. [IF BOTH] Would you expect those costs to recur or diminish over time?
11. I'd like to ask you now about your perspectives on any impacts of CAMs on audit and financial reporting quality. Overall, now that CAMs have been in effect for two years, how do you think audit and financial reporting quality has changed, if at all, because of CAMs?
12. That wraps up all the questions I have for you today on CAMs, [NAME]. Before we turn to the new PCAOB audit requirements around estimates and specialists is there anything else that you'd like to share with me regarding the impact of CAMs on [ISSUER] or the audit committee?

Financial Statement Preparer Interview Protocol – Non-LAF

1. So starting with CAMs – and, in particular, preparatory activities around implementation – could I ask you to start by summarizing for me any preparatory activities [AUDITOR] may have performed to prepare for CAM implementation at [ISSUER]. In particular, thinking back, prior to the current year audit, do you recall any discussions with [AUDITOR], or activities [AUDITOR] may have performed, to prepare for CAM implementation?
    a. [IF NEEDED] What were the nature of those discussions and/or activities?
    b. [IF NEEDED] Who from the management team was involved in [AUDITOR's] preparations?
    c. [IF APPLICABLE] Overall, how did the process go? Did you find it helpful?
2. Great. Thanks for that. Now I'd like to turn to your most recent audit for the year ended December 31, 2020. Could you describe for me the interactions you had with [AUDITOR] around CAMs as part of this year's audit?
    a. [IF NEEDED] Who from the management team met with the auditors as part of the CAM development process?
    b. [IF NEEDED] When approximately in the audit process did you first discuss CAMs with [AUDITOR]?
    c. [IF NEEDED] When did [AUDITOR] first share the draft CAMs with you?
    d. In the drafting process, did management give any specific feedback to [AUDITOR] about the CAMs that [AUDITOR] planned to communicate or how they communicated them?
    e. [IF APPLICABLE] Did that feedback affect how [AUDITOR] ultimately communicated the CAMs in the audit report? If so, how?
    f. Did you have conversations with [AUDITOR] about how [ISSUER's] CAMs compare to CAMs communicated in the audit reports of other peer group companies?
    g. [IF NEEDED] From your perspective, at what point in the audit did most of the effort around CAMs occur?
    h. [IF NEEDED] Was that effort significant?
    i. [IF NEEDED] Did it have any effect on work on other tasks?

3. Did the auditor's communication of CAMs result in any reconsideration or changes to management's disclosures in the 10-K? For example, did you make or consider making changes to the notes to the financial statements, critical accounting policies, MD&A, or risk factors?
    a. [IF NEEDED] What sort of changes were considered or made?
    b. [IF NEEDED] When did you make those changes?
4. Did inclusion of CAMs in the audit report result in any changes to management processes or controls? For example, did you implement any new review processes because of CAMs?
    a. Were investor relations or general counsel involved in the CAMS communication process at all?
5. Thinking now about CAM topics (and I see you have [X] CAMs on [CAM TOPICS] in this year's audit report), overall, do you think that CAMs changed in any way the nature or depth of [AUDITOR's] focus around those particular issues when comparing this year's audit to prior years'?
    a. Did [AUDITOR] ask more or different types of questions?
    b. Did they perform different types of procedures or request different types of information?
    c. [IF CHANGE] Do you think that the changes you observed were due to CAMs or due to other factors (like, for example, changes in the underlying business)?
6. Taking into account everything you've mentioned, how (if at all) would you say CAMs have affected your working relationship or your communications with [AUDITOR]?
7. OK great. I'd like to ask you now about your observations on discussions between your auditor and the audit committee on CAMs. In your perspective, did CAMs have any effect on meetings with the audit committee?
    a. As compared to prior years, did audit committee members ask more or different types of questions regarding the audit or the underlying accounting issues?
    b. Did the nature of communication change in any other ways?
    c. Did the audit committee ask different questions of you?
8. Were CAMs addressed at any other Board committees?
    a. [IF YES] What was the nature of those discussions?
9. I'd like to move on to the topic of costs now. Overall, for [ISSUER], from your perspective as a preparer, what would you say the main costs related to CAMs have been?
10. Could you provide me with a sense for the amount of time that management spent related to [AUDITOR'S] implementation of CAMs?
    c. [IF APPLICABLE] What was that time mainly spent on?
    d. [IF APPLICABLE] At what point in the audit process did you spend most of that time?
    e. [IF APPLICABLE] Would you expect to invest the same level of time in future years? [IF NEEDED] Why or why not?
11. Did [ISSUER] experience a change in audit fees because of CAMs?
    i. [IF FEE CHANGED AND IF APPLICABLE] Did the change in fees relate to work performed by [AUDITOR] to prepare for CAM implementation, or for the most recent audit, or both?
    ii. [IF FEE CHANGED] Do you recall the amount of additional audit fees you incurred?

iii. [IF FEE CHANGED] To what extent were those amounts reflective of time [AUDITOR] spent to develop CAM communications versus time they would have spent any way to perform audit work over underlying issues?

iv. [IF FEE CHANGED] Would you expect the additional audit fees you incurred this year related to CAMs to be one time or more recurring in nature?

12. Other than audit fees, were there any other costs that we haven't mentioned yet (either internal or external) that you incurred and are associated with CAMs?
    a. [IF YES] Would you expect those costs to recur or diminish over time?
13. I'd like to ask you now about your perspectives on any impacts of CAMs on audit quality and financial reporting quality. Overall, how do you think audit quality and financial reporting quality has changed, if at all, because of CAMs?
14. That wraps up all the questions I have for you today on CAMs, [NAME]. Before we turn to the new PCAOB requirements around estimates and specialists, is there anything else you'd like to share with me regarding the impact of CAMs on you, your management team, or on [ISSUER]?

Financial Statement Preparer Interview Protocol – LAF

1. So starting with CAMs – and, in particular preparatory activities around implementation, could I ask you to start by summarizing for me how [AUDITOR] engaged with you in implementing the CAM requirements on their audits of [ISSUER].
    a. [IF NEEDED] What were the nature of those discussions and/or activities?
    b. [IF NEEDED] Who from the management team was involved in [AUDITOR's] preparations?
    c. [IF APPLICABLE] Overall, how did the process go? Did you find it helpful?
2. Great. Thanks for that. So focusing now on the most recent audit for the year ended 12/31/2020, as compared to the first year of CAM implementation, did you notice any differences this year in terms of the interactions you had with your [AUDITOR] around CAMs? For example, was the process, the timing, or the nature of your discussions with [AUDITOR] around CAMs different in any way as compared to the first year of CAM implementation?
    a. When did [AUDITOR] first share the draft CAMs for inclusion in this year's audit report with you?
    b. Was the timing different from the first year of CAM implementation?
    c. And, from your perspective, at what point in the audit did most of the effort around CAMs occur and was that timing of that effort different from the first year of CAM implementation?
3. I see that you had [X] CAMs in this year's audit report and [Y] CAMs on in last year's audit report. [SUMMARIZE MAIN CHANGES IN TOPICS IF ANY]. Could you describe for me, the conversations that you recall with [AUDITOR] as part of this year's audit around potential or actual changes [AUDITOR] was considering making to the CAMs in this year's audit report?
4. Did the auditor's communication of CAMs result in any reconsideration or changes to management's disclosures in the 10-K either in this year's financial statements or in prior year financial statements? For example, did you make or consider making any changes to the notes to the financial statements, critical accounting policies, MD&A, or risk factors?

a. [IF NEEDED] What sort of changes were considered or made?

b. [IF NEEDED] When did you make those changes?

5. Did the inclusion of CAMs in the audit report result in any changes in management processes or controls? For example, did you implement any new review processes because of CAMs?

   a. [IF NEEDED] When did you make those changes?

   b. [IF NEEDED] Did you make any further changes in the second year of CAM communications?

   c. Were investor relations or general counsel involved in the CAMS communication process at all?

   d. [IF YES] Was their level of involvement different in the second year as compared to the first year of CAM implementation?

6. Thinking now about the topics that were mentioned in CAMs, overall, did you observe any changes in the nature or depth of [AUDITOR's] focus around those particular issues as compared to similar issues in pre-CAM years?

   a. Did [AUDITOR] ask more or different types of questions?

   b. Did they perform different types of procedures or request different types of information than you would have expected in the past?

   c. [IF CHANGE] Do you think that the changes you observed were due to CAMs or due to other factors (like, for example, changes in the underlying business)?

7. [IF NEEDED] Taking into account everything you've mentioned, how (if at all) would you say CAMs have affected your working relationship or your communications with [AUDITOR] over the last two years?

8. OK great. I'd like to shift focus somewhat now and ask you now about your observations on discussions between your auditor and the audit committee on CAMs. From your perspective, did CAMs have any effect on meetings with the audit committee?

   a. As compared to pre-CAM years, did audit committee members ask more or different types of questions regarding the audit or the underlying accounting issues?

   b. Did the nature of communication change in any other ways?

   c. [IF APPLICABLE] Did you observe any differences in the nature, depth, or focus of audit committee discussions around CAMs between the first and second year of CAM communications?

   d. [IF APPLICABLE AND IF NEEDED] Were audit committee members interested in different issues related to CAMs in the second year of implementation?

   e. [IF NEEDED] Did the audit committee ask any different questions of you because of CAM communications?

   f. Did either you or the audit committee have conversations with [AUDITOR] about how [ISSUER's] CAMs compare to CAMs communicated by other peer group companies?

9. And were CAMs addressed at any other Board committees?

   a. [IF YES] What was the nature of those discussions?

   b. [IF YES] Did you observe any differences in the nature of those discussions between the first and second year of CAM implementation?

10. I’d like to move on to the topic of costs then now. Overall, for [ISSUER], from your perspective as a preparer, what would you say the main costs related to CAMs have been?
    a. Were those costs different between the first and second year of CAM implementation?
11. Could you provide me with a sense for the amount of time that management spent related to [AUDITOR’S] implementation of CAMs?
    a. [IF APPLICABLE] What was that time mainly spent on?
    b. [IF APPLICABLE] At what point in the audit process did you spend most of that time?
    c. [IF APPLICABLE] Overall, was the amount of time management spent related to [AUDITOR’s] implementation of CAMs different when comparing the first and second year of CAM communications?
    d. [IF APPLICABLE] Would you expect to invest the same level of time in future years? [IF NEEDED] Why or why not?
12. Did [ISSUER] experience a change in audit fees because of CAMs?
    a. [IF FEE CHANGE] Did the change in audit fees apply only in the first year of CAMs implementation or to both the first and second years?
    b. [IF FEE CHANGED] Do you recall the amount(s)?
    c. [IF FEE CHANGED] To what extent were those amounts reflective of time [AUDITOR] spent to develop CAM communications versus time they would have spent any way to perform audit work over the underlying issues?
13. Other than audit fees, were there any other costs that we haven’t mentioned yet (either internal or external) that you incurred and are associated with CAMs?
    a. [IF YES] Did you experience those costs in the first year of CAM implementation, the second year of CAM implementation, or both?
    b. [IF BOTH] Would you expect those costs to recur or diminish over time?
14. I’d like to ask you now about your perspectives on any impacts of CAMs on audit quality and financial reporting quality. Overall, now that CAMs have been in effect for two years, how do you think audit quality and financial reporting quality has changed, if at all, because of CAMs?
15. That wraps up all the questions I have for you today on CAMs, [NAME]. Before we turn to the new PCAOB requirements around estimates and specialists, is there anything else you’d like to share with me regarding the impact of CAMs on you, your management team, or on [ISSUER]?