



Audit Quality Indicators: Summary of SAG Breakout Discussions



Disclaimer

The views expressed are our own views and do not necessarily reflect the views of the PCAOB, members of the Board, or the PCAOB staff.




Breakout Session 1

Audit Quality Indicators and their Content



Breakout 1 - Points of General Agreement

- Take action
- PCAOB is in unique position
- PCAOB informs / Audit Committees decide
 - Framework
 - Menu of options
 - Common definitions
 - Caveat – one of many tools
- 28 are too many



Breakout 1 (continued)

- Investors request AQI data following a phased approach
 - Others are concerned whether investors have context
 - Range of possibilities to meet investor request (ranging from audit committee certification to full disclosure of AQIs)




Breakout Session 2

Auditor Discussion of AQIs with Audit Committees



Breakout 2 – Points of General Agreement

- Auditor discussion of AQIs with audit committees would be useful.
- Engagement-level AQIs are most useful. Firm-level AQIs would provide context through firm transparency reports.
- Any discussion of AQIs should be determined by audit committees and firms.
- Firms are free to disclose firm-level AQIs as they deem appropriate.



Breakout 2 (continued)

- Limited role of audit regulator:
 - Share insight on possibly useful AQIs, but in a manner that does not imply obligation and that does not add to audit committee legal risk
 - If firms provide report on audit quality and if they elect to provide AQIs, regulator could set AQI definitions to improve comparability
 - At a minimum, firms should disclose the way they calculate AQIs that they chose to report



Breakout 2 – New ideas (not consensus)

- Mandate discussion of AQIs, but with no prescription of the content of those discussions
- Coordinate AQI policy on a global basis through collaboration among regulators and firms



Breakout 3

Use of AQIs by Investors



Breakout 3 - Points of General Agreement

- End goal should include some level of mandated disclosure to investors.
- Investors are capable of evaluating AQI metrics and context.
- Supported narrowing the 28 AQIs down to just the few most valuable.
- Recommend a phased approach (bias for action):
 - At the engagement level, begin with at least a core set of AQIs related to key information about the audit team.
 - PCAOB should continue to study which AQIs are best (outreach, monitor practice, and research).



Breakout 3 - Points of Controversy

- The length of time for which phasing should last
- Nature and extent of testing
- Ways to disseminate the AQI data



Breakout 3 - New Ideas (no consensus)

- Consider the relationship between AQIs and CAMs, and whether AQIs should be added to the Auditors' Report.
- Separate work streams on firm-level and engagement-level AQIs, but don't let one slow down the other.
- Disclose firm-level and engagement-level AQIs in separate locations.
- Evaluating engagement-level AQIs over time on a particular audit is very valuable.



SAG Member Group Discussion

Questions?

