



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

07 June 2024

Dear Office of the Secretary

**Firm and Engagement Metrics and Firm Reporting Proposing Releases: PCAOB Rulemaking  
Docket Matter Nos. 041 & 055**

We welcome the opportunity to respond to the PCAOB's proposals, *Firm and Engagement Metrics* and *Firm Reporting* (collectively the "Proposals"). Our comments are focussed on the impact of the proposals on PCAOB registrant firms outside of the US and should be read in conjunction with the comment letter submitted by Forvis Mazars LLP, which sets out their comments on the impact on the domestic US market.

Forvis Mazars Group, previously Mazars Partnership, is a member of the Forum of Firms, and has participated actively in various technical committees, task forces and working group organised by IFAC with the profession worldwide on topics such as those covered by the proposals, including International Standard Setting Boards Outreach meetings.

We set out below some general comments on the Proposals, followed by more specific comments on the two releases.

**General comments**

The proposals include a wide range of reporting and disclosure requirements aimed at additional transparency of the firms. Although we do not necessarily disagree, in principle, with the concept of enhancing transparency, we believe that the details required in the proposals will be unnecessarily onerous for firms of all sizes, and that the benefits of the proposals do not outweigh the associated burden and costs of implementation. We are particularly concerned about the impact of the proposals in the context of firms operating outside of the US, in a range of regulatory and legislative regimes, typically with a limited number of PCAOB engagements. The impact of the proposals on such firms will be amplified given the small number of engagements.

We believe that a diverse and resilient statutory audit market is critical in the public interest. It is important that regulatory requirements are proportionate and do not disincentivise non-US audit firms that are registered with the PCAOB. We believe the proposals will have a disproportionate

impact on such firms. For future proposals, the PCAOB may wish to consider setting out the impact of proposals on firms based outside the US, especially those with a limited number of issuer audits.

We are especially concerned that applying the proposals in some non-US jurisdictions may either lead to legal and regulatory challenges for firms, or be impossible for firms to comply with. For example, in firms with a small number of relevant issuer engagements, disclosure of certain engagement level metrics may lead to breach of confidentiality for client information, issues with disclosure of commercially sensitive information (e.g. time spent) or disclosure of personal data in breach of regulations, and potentially violate laws and regulations within those countries. (e.g. GDPR). The checkbox to underline, explain and document legal conflicts should remain part of the Forms.

We do not believe that the proposed engagement-level metrics are appropriate for public reporting, which does not give the opportunity for appropriate discussion of the context with affected parties. In our view, it is more appropriate to report engagement-level metrics to audit committees, who are best placed to understand the context and provide appropriate challenge to the auditor. In that context, we believe that firm-level Audit Quality Indicators (AQIs), similar to those developed by the Financial Reporting Council, might be a more effective way to establish greater transparency. However, without context and effective two-way communication, providing AQIs in isolation will have very minimal impact to audit quality.

In taking forward these proposals, we urge the PCAOB to undertake extensive outreach and research with accounting firms and audit committees, including those outside of the United States, to ensure that the final outcome better balances the needs of users with the additional cost and effort associated with implementation.

## **Audit Firm Reporting**

### *Firm reporting*

We appreciate that transparency reporting is established in some jurisdictions (for example, the European Union) and that for those jurisdictions, these requirements may not be problematic. However, such reporting is not universally adopted and the firm reporting requirements will be particularly onerous for non-US firms which may be registered with the PCAOB but who have either a small number of, or may not even currently have any, PCAOB engagements. The PCAOB should consider the potential impact on such firms and whether this may lead to a reduction in the number of registered non-US firms, potentially impacting on audit market resilience as well as competition and choice in the audit market.

It is not clear how these requirements will impact firms operating outside of the US with a limited number of issuer audits. In particular further clarity is needed over whether the reporting requirements cover the firm as a whole, or whether reporting is required in relation only to any issuers within PCAOB remit. If it is the latter, there is a risk that the information disclosed may be identifiable to individual audit engagements, issuers or individuals within a firm. Disclosure of such information may be at risk of breaching local regulatory and legal requirements around matters such as client confidentiality, commercially sensitive information and disclosure of personal data.

### *Cyber incident reporting requirements*

Greater clarity is needed over the definition of a “significant cyber incident”. For example, while footnote 39 on page 14 refers to the SEC proposed definition of "significant cybersecurity incidents", that definition includes individual and accumulated impacts. Clarification of whether the determination of significance in the proposals includes the accumulated impact of multiple incidents would be helpful. The PCAOB may wish to consider providing examples of what may or may not be considered significant incidents to assist in the operationalisation of the proposal.

Many non-US based PCAOB registered firms may not themselves issue audit reports, but instead may play a substantial role in such audits, and may not have the same resources/infrastructure that would be expected of firms providing issuer opinions. We therefore believe that the requirement to report within five days will be difficult to achieve in practice for some non-US firms, given the need for a firm to take prompt action to deal with a significant cyber incident, including the need to consider the legal implications of any data breach on clients or other external parties affected. The PCAOB may wish to consider taking a tiered approach to the requirement to report within five days, reflecting the difference between registered firms issuing audit reports and those which do not.

### **Firm and Engagement Metrics**

The metrics reporting requirements will be particularly onerous for non-US firms which carry out only one or a small number of relevant PCAOB engagements. The PCAOB should consider the potential impact on such firms and whether this may lead to a reduction in the number of registered non-US firms performing such engagements and the potential impact on audit market resilience as well as competition and choice in the audit market.

Where a non-US firm has only one or a small number of PCAOB engagements, the publication of engagement level metrics may not be appropriate and in some cases may even breach legal or regulatory requirements. For example, information published where only one engagement is performed will be clearly identifiable to an individual engagement, which may breach client confidentiality (if client identifiable data is disclosed), commercial confidentiality (metrics related to hours spent) or personal data requirements under legislation such as GDPR.

For many of the metrics determined by the PCAOB, firms will not necessarily collect the information today in a form to enable measurement (e.g. number of hours spent on individual risks in the audit, data on industry experience which, for the long term, may be affected by data retention policies and may be difficult to obtain for experienced hires). Furthermore, it is not clear when calculating firm metrics whether these relate only to accelerated filers, or whether they relate to all of the firm’s engagements. To collect such data requires significant investment on behalf of firms and the cost/benefit of doing so is not clear, especially as costs will be passed on to audited entities. This is especially true for firms with a small number of engagements, where the impact on audit fees may be significant, and may also have an impact on the number and range of firms willing to be registered with the PCAOB, impacting competition, choice and resilience of the audit market.

The proposed metrics appear more detailed and onerous than many required by other regulators (e.g. FRC in the UK) and we believe that the proposals should not be adopted until extensive research and

outreach is undertaken, including pilot testing with firms, to confirm whether such metrics can be consistently collected and reported by firms, and whether they will indeed provide useful information to investors and other stakeholders.

**Further discussion**

If you would find it helpful to discuss any matters raised in this letter, please contact [compliance@mazars.com](mailto:compliance@mazars.com).

Yours faithfully

*Forvis Mazars Group*

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